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GUESSWORK PLANNING IN CHINA

A celebrated commentator on Russian affairs held that the planned society came into being in the Soviet Union precisely because the Russians are constitutionally incapable of planning. The paradox is not inapplicable to China also, apart from the factor of imitation. A periodical called Chi Hua Ching Chi (Planned Economy) depicted in pretty large letters the appalling case of the surplus ploughs as a classic example of planning that went wrong. There was a great rush to manufacture the new double-wheel and double-bladed ploughs to help the agricultural producer co-operatives, and nearly one and a half million of these and the single-blade ones were manufactured. Not much more than half of them could be sold and a large part of those that were sold had to be cleared through various forms of forced distribution. Even then, not all the ploughs thus procured were actually used. Not only were half unsold but half of the total number disposed of were put aside unused. The peasants derisively called them the "hanging ploughs." Yet the authorities who thus used up such huge quantities of precious steel had fairly ample warning from the Hunan lesson, where it was found that in many cases the new ploughs were totally unsuitable to the terrain there.

These double-wheel and double-bladed ploughs were among the new animal-drawn farm tools the promotion of whose use was regarded as an important step towards improving agricultural technique under present conditions. It can be drawn by mules, horses, donkeys and cattle. It was felt that collectivism would expand the use of these tools. Indeed the sales went up from 40,000 to 400,000 in 1955. In 1956 the sales quota could not be fulfilled and even the manufacture of the ploughs had to be stopped. It is explained that the 1956 production and marketing plans for the ploughs changed several times. At first the figures were conservative, and called for the production and the marketing of half a million. Then came the upsurge of co-operativization on the land and the figure was raised to 700,000. However, the relevant department of the Central Government hastily set the highest figures: to produce over five million and to sell over four million.

The Third National Planning Conference held in January 1956 already felt that the target was too high. Therefore the figures were reduced to the manufacture of 3½ million ploughs and the sale of 2¾ million. Then it was found that the target was still higher than actual requirements. A serious contradiction occurred between production and requirements and between the production and supply of materials. In June the 1956 plan was again revised and the production target for the ploughs reduced again to 2½ million and sales to 1,853,000. But still the "contradictions" remained unsolved. Output exceeded requirement—and especially since the ploughs are not quite adaptable to the paddy fields in the south. The stocks piled up and in

July manufacture was stopped to avoid further accumulation.

The mouthpiece of the planners says that the fundamental cause of this situation lay in the fact that the target had been set too high, demand had been hasty, and a comprehensive balance was lacking between needs and possibilities. In the latter half of 1956 the "rightist conservatism" met with wide opposition. But the opposite tendency developed: adventurist hastiness. The directive from the Party Centre called for steps to build socialism quickly, successfully and economically, and there was an attempt to do too much too fast. The number of 700,000 ploughs for the first quarter suggested by the various provinces and municipalities was not scrutinised and trimmed according to the actual requirements. The original plan to complete by 1959 the steps for putting the ploughs into wide use was cast aside. At one time it was actually held that 6¼ million ploughs would be needed to meet the needs of agricultural production. It is explained just how this total was allocated over the whole country and emphasised now that the estimate of 6¼ million to till the 1,200 million mow of land on which ploughs could be used was a very rough one, and there was "a certain degree of false calculation in it." For instance, the natural conditions of the land vary considerably, not only between dry land and the paddy fields but even between the dry land and between the paddy fields. Not only topographical conditions but the soil conditions of the land are vastly different and some of it was not adaptable at all to the double-ploughs.

It was also overlooked that the ploughs should vary in design and the way of their use first popularised before they could be adopted for use in the paddy fields. Again, in Hopei and Shantung, (the principal areas where such ploughs can be used and which absorb 30% of the ploughs produced) there was a drought; moreover, the land had mostly been turned up already anyway, during the winter. These things were not taken into consideration.

Again in considering the 1956 project little attention was paid not only to teaching the technique but to the availability of farm animals. For so many ploughs 800,000 experts were needed to use the machine and show others how to do it. In some places half the men trained to use the machine had failed to master it. There was thus a general lack of trained hands. The number of farm animals in most localities was small and they were weak. The distribution of large animals was uneven. In South China they found the plough too heavy for one beast and too troublesome for two of them. The planners' mouthpiece also says the planners omitted properly to assess production capacity when setting a target of five million. But as a result of this target the factories producing other machines had to be converted to the production of ploughs and the production tasks for many other urgent needs had to be laid aside in the first quarter of 1956.

The supply of steel materials also was not balanced. The steel output rose 50% compared with 1955, but the steel needed in 1956 to manufacture the five million ploughs called for a tenfold increase over 1955. This contradiction was detected when the plan was drawn up, but the problem of shortage of steel material remained unsolved. The various provinces were only instructed to make their own adjustments in the supply of steel already distributed to them, and no overall balance was achieved. It was even demanded that the supply of steel material be issued during the first quarter. This made supply and demand all the more unbalanced.

Apparently, if the material supply, the production capacity, and the market for products had all been studied, analysed and balanced carefully, the errors could have been easily rectified even if a wrong estimate were made. Since this was not done, the plans deviated from actuality and when put into practice, a series of problems occurred, such as shortage of material, production falling behind schedule, lack of market, etc., with the result that the target had to be lowered again and again and plans had to be changed many times. There were unfavourable effects on the development of national plans. For instance, after the factories in Shanghai, which manufacture automobile spare parts, were turned over to the making of ploughs, a shortage of spare car parts followed. The output of spare parts for the oil industry was also affected. The amount of steel required for the ploughs was 27% of the nation's total supply. In Shantung it even took up more than 40% and in Hupeh 46%. This was bound seriously to affect the output of several thousand kinds of other articles.

Since the demand for the ploughs was low about 800,000 of them were left over during the first half of the year, and the departments concerned in certain localities forced the APCs to purchase them, to the dissatisfaction of the peasants. Since they found the ploughs unserviceable, or they did not know how to use them, they just put the machines aside to rust. Moreover, as the peasants were not

WATER CONSERVANCY SCHEMES IN CHINA

By T. J. Lindsay

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PART I

The Problems and the Peoples' Government Approach to them. When the Peoples' Government gained control of the whole of China in 1949 and 1950 urgent measures were needed to prevent major flood disasters and to restore large areas which had become swamp or infertile or were under water as the result of inundations in previous years. The new Government was, in fact, faced with the problem that has faced every new Dynasty in China when it consolidated its rule after a period of disorder.

From the time of the Revolution in 1911 onwards there was no Government in China which was in such complete control or had such resources that it could carry out water conservancy schemes on the large regional basis required. Such measures as were taken were comparatively localised and could not effect an overall solution of the problems. In addition, from the time of the Taiping rebellion onwards, the Ching Dynasty had neither the resources nor the energy to undertake major conservancy works. There was thus a period of three generations of neglect with which the Peoples' Government had to grapple.

The new Government tackled the problems energetically and with urgency. It brought to them not only energy but a control over the countryside and the people of China such as had not existed for some three centuries, even if then, and a willingness and ability to make use of the most modern conceptions of water conservancy. While the most urgent tasks were to restore dykes and to drain channels, so that normal floods could be controlled, plans were and are still being worked out for overall control of the major river regions of the country. These plans seek not only to prevent floods in the lower reaches of the rivers, but to stop them at their source by building reservoirs, planting forests and other necessary works. In all these major schemes the Peoples' Republic of China has drawn on the knowledge and practical experience of Soviet Conservancy Engineers and (although this is scarcely ever mentioned) on the projects and surveys made by the previous Government and by non-Soviet foreign conservancy experts who, post-war, were mainly American, and a number of Chinese Conservancy engineers.

Apart from the major schemes there are, of course, thousands of small scale conservancy projects designed to provide water for local irrigation, small scale flood control, or small hydro electric plants. Although these schemes overall add up to a considerable effort, only the really large schemes will be considered in this paper. Some of these have been primarily concerned with one aspect of water conservancy. In this category come the hydro electric plant at Feng Man on the Sungari, the similar schemes on the Lung Chi River near Chungking and the proposed hydro electric scheme on the Sinan River near Kinwha in Chekiang. Others are mainly concerned with irrigation such as a new loop to the Chengtu plain system. Flood basins seem to be the present main interest in the Liao valley in Manchuria. The majority of the schemes are, however, of a multiple character and in order of urgency consist of:—

1. Dyke renovation.
2. Provision of flood detention basins.
3. Building dams to control floods at source, to provide a head of water for hydro electric power and to supply water for irrigation.
4. Irrigation networks.
5. Improvements in navigation.

All these aspects of the problem may be under way at the same time, but, as already stated, the initial concern and the easiest projects to tackle are the restoration of dykes and channels and the creation or renovation of flood detention basins.

PART II

Now to review the major river basins of the country and to give a brief account of the present conservancy position in each area. As schemes are at all stages from well-advanced to hardly thought of, the river basins will be considered geographically from north to south.

North Manchuria

The two main rivers of North Manchuria are the Heilungkiang (Amur River) and the Sungari River. Overall

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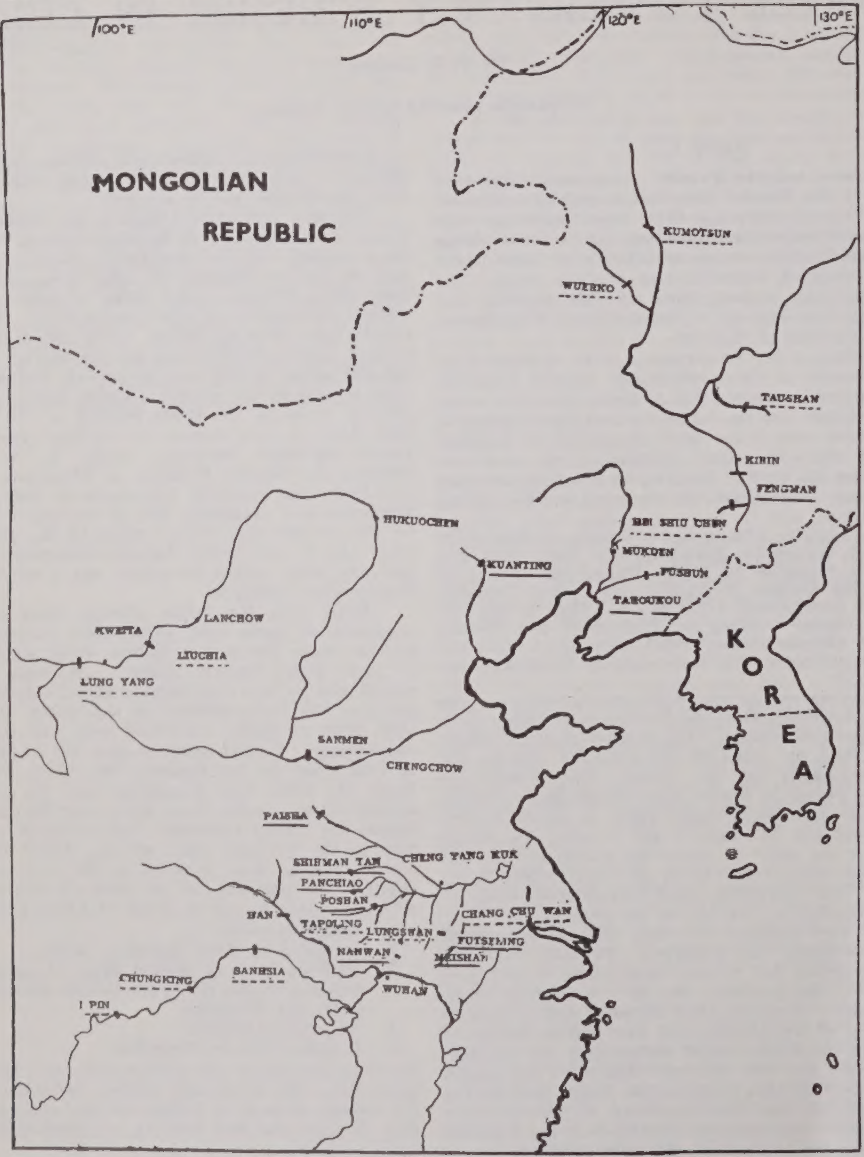
taught how to use them, they had further misgivings. They experienced "seven difficulties" (i.e., the plough is too heavy to move, the field too small to till with the plough, the paddy field too muddy for the plough, the plough too difficult for one person to handle when drawn by two cattle, etc.). They also had "eight fears" (they do not know how to use the plough and will have to put it aside; the plough is too heavy for the cattle to draw; the plough will not cut the soil fine and deep; there will be no place to send it for repair, etc.). This inevitably posed a stumbling block to the further promotion of the use of the ploughs.

The plans were changed too often and the production schedule of enterprises was disrupted. To fulfil their targets, some enterprises had to rush their work, in disregard of the quality of the products and the production costs, resulting in waste. Besides, some factories had shifted to the manufacture of the ploughs and now had to change to other lines since the production of the ploughs was suspended. Such changes not only incurred difficulties but caused great losses. During such changes, the wages paid to the workers waiting for the shift amounted to two to three million yuan. And the losses suffered by over ten factories under suspension for several months were inestimable.

There are many lessons to be drawn from this experience. In drawing up plans, all relevant factors must be taken into account and merely "rough" estimates ruled out. Planning by guess-work is worse than useless. An overall balance has to be struck between supply, production and marketing on the one hand, and a proper ratio to be maintained between the rate of increase in all kinds of production, on the other, so that they can be dovetailed with one another. The planning personnel must also be intimately conversant with actual conditions, not merely sit in their offices and draw up plans and hand out tasks.

CHINA'S DAMS—BUILT OR PROPOSED



DAMS BUILT or PROPOSED

plans for control and development are still in the tentative stages. On the Heilungkiang plans call for generation of 26 million k.w. to be split between Russia and China. Sites for 5 dams have been selected, each to generate 1 million kilowatts. The only actual site mentioned so far is at Dzhalinda. Planning is to be finished by 1960. The only large scale project at the moment is the Fengman hydro electric station on the Sungari. This was built by the Japanese, and the Chinese now say that they have renovated it and that shortly the power output will be 567,000 k.w. The area of the reservoir is 185 square miles and storage capacity is 353 thousand million cubic feet of water.

The need for large scale conservancy projects is shown by the floods that have caused considerable damage in the two provinces of Heilungkiang and Kirin early in August. In

July there was over ten inches of rain in these provinces but it seems that the Heilungkiang rose before the Sungari and pushed up the waters of the smaller river. In its upper reaches, this year witnessed the worst floods in twenty years. At the end of July and beginning of August very heavy rain fell in the Sungari basin. This occurred at approximately the same time as heavy rains in North China from the typhoon (Wanda) but stated to be unrelated to them. As a result the Sungari at Harbin reached a higher level than in 1932 when the city was flooded, but owing to the strenuous efforts taken by the Peoples' Government Harbin itself was saved. Some million and a half acres were affected, 460 villages involved and 200,000 people had to be moved. In the course of the flood half a million people raised and strengthened a 1,000 miles of dykes and built 140 miles of new dykes.

The worst hit area was surrounding Harbin and some 2,000 tons of grain had to be sent to towns within a 30 mile radius; one other town mentioned was over a hundred miles away. Agricultural production has been reduced by 700,000 tons and 40,000 homes destroyed.

The Peoples' Daily on 28th September carried a report by Chiang Shao Chu, a Party Secretary of the Heilungkiang C.C.P. Committee, on Heilungkiang province's plans for Sungari Conservancy during the second Five Year Plan. These involve the building of a reservoir at Ku Mo Tsun on the Nonni River and another at Wuerko on the Nomin River. These two rivers drain the northern part of Heilungkiang province south of the Amur watershed. Two other reservoirs proposed are the Taoshan Reservoir on the Lalin River and the Heishichen Reservoir on a stream running into the Fengman Reservoir. Thereafter seven other reservoirs are needed.

This plan is still in draft form, according to Chiang and, of course, it may not be adopted. From his speech it seems that the Fengman Reservoir proved useless as a flood regulator this year.

Liao Basin

Perhaps to remove the impression of serious damage to crops, it was announced at the beginning of October that the Liaoning soya bean crop was 900,000 tons, some 200,000 tons higher than 1954 the previous peak year. Liaoning, Heilungkiang and Kirin are the three major soya bean provinces in the country and it may have been considered necessary to try and give the impression that the overall crop had not been affected.

No mention has been made this year of floods in the Liao Valley, which is indeed surprising when areas to the north-east and south-west both suffered heavy flooding. However, there have been no reports of flooding from China proper north of the Peking-Tientsin Railway so that the head waters of the western Liao River may not have risen dangerously.

At the moment conservancy is confined, as far as is known, to a flood detention reservoir on the Hun River in the suburbs of Fushun which was started in May, 1953. This is the Tahoufang Reservoir and consists of a dam 153 ft. high by 1,400 yards long. It has a capacity of 65,600 million cubic feet and an area of 35 square miles. It is supposed to be completed this year. At the end of October it was reported that the dam was now 33 ft. high. In November, 1953, a second reservoir was mentioned.

As part of the general plan in Manchuria, improvement in navigation facilities ranks high. At the moment vessels of up to 500 HP can go as far as Mo Ho on the Amur, but above that 100 HP is the limit. Once the river is tamed Hailar will be the head of navigation. Two north-south water routes are planned. The first of these runs from the Heilungkiang to the Nun River (Nonni River) down this river to the Sungari, up the Sungari or one of its tributaries to San cha kou. From there a canal is to be dug to San chiang kou on the Liao. The exact course is not clear in the report seen, but it seems that it must run from near Blagoveschensk over the watershed and come out near Nunkiang, where one of the proposed dams may be located. The southern section will presumably use the East Liao river.

The second north-south route is up the Ussuri River and then by a Canal east of Lake Hsingkai into the Suifen River and so to Vladivostok. This canal will be entirely in Russian territory. No details of draft or width of waterway have been given.

Rivers of Hopei

The main river in Hopei is the Yungting River which flows just south of Peking. It is 370 miles long and drains an area of 18,700 sq. miles. Much of the province is very flat alluvial land and the rivers have slight gradients so that flooding is easy.

One of the very first conservancy projects undertaken was the Kuanting dam on the Yungting River in the Western Hills not far from Peking. It was begun in October 1951. This is a multi-purpose project to hold back the flood waters, generate electricity and provide additional water for Peking and its industries. The earth dam is reported to be 150 feet high by 950 feet long. The area of the lake formed is 85 sq. miles and the storage capacity is 77,700 million cu. ft. Water from the dam is taken to Peking by a canal which was to have been finished early this year. Reports suggest, however, that this was a case of more haste less speed, for the banks collapsed and much work had to be re-done. Electricity is already being generated and last year the dam is reported to have held the flood waters successfully.

Unfortunately for Hopei, control of one river is not sufficient to prevent flooding. In the beginning of August Typhoon "Wanda" dispersed over the Shansi mountains bordering the Hopei plain. As a result floods occurred over a large area of country bounded by the Yellow River to the south, Shansi Mountains to the west, the Peking-Tientsin Railway to the north, and the sea to the east. Figures given show that 10,800 sq. miles, one fifth of the whole area of Hopei, was swamped (2.8 million hectares = 7 million acres) and the adjacent areas of Honan and Shantung, north of the Yellow River, were equally badly flooded. Outside Hopei the two worst areas were round Anyang where some 86,000 acres were flooded and in North Shantung here a further 375,000 acres were inundated and where there were half a million refugees. In Hopei itself the Yungting, Taching, Tzeya Rivers and the Grand Canal in the north were all flooded, and the Wei & Kanyang Rivers further south also broke their banks. The flood waters rolled northwards away from the Yellow River but they seem successfully to have been diverted to natural or improved flood basins or the sea (via the Tu Liu Ho—25 miles long—and built in 1950) without too seriously affecting Tientsin. The cotton centres of Paoting, Shihchiachuang and Hantan were among the affected areas and very serious damage has been done to the cotton crop. In many places houses were destroyed and peasants were urged, where their houses could not be re-built before the first frosts, to try and live with relatives. The danger of famine became serious. To meet the needs in devastated areas throughout the country the Government is providing 360,000 tons of grain, mainly rice, 40,000 tons of chemical fertiliser and 6,000 tons of insecticides. Of this total, 250,000 tons of grain is going to Hopei of which 150,000 tons were to be delivered in September and 1,00,000 tons in October. Relief over the whole country to the end of August was JMP 220,500,000 (£32 million) and loans to peasants in the affected areas JMP 150,000,000 (£22 million).

This is the biggest flood in China this year. It shows that conservancy measures so far taken are inadequate, but there is a suggestion that the Kuanting Reservoir was not closed early enough. It was reported on the 8th August that its flow had been reduced to 2,000 cu. ft. a second; by that time the damage had been done. It seems likely, however, that the southern part of the province and the Anyang and North Shantung areas would have been flooded anyway. The fact that the flood waters moved north following the natural drainage rather than south into the Yellow River probably indicates that the Yellow River dykes were not affected. It was claimed that by Oct. 25 winter wheat had been sown on 9,270 sq. miles of the area that had been flooded.

It is tragic but ironic to read a report of 1953. The builders of the Kuanting dam in a letter to Mao Tse Tung reported "Now the people along the banks of the Yungting River are protected against the menace of floods and begin to lead a happy life".

Yellow River

The basin of the Yellow River covers some 300,000 square miles and its length is 2,500 miles. The average annual flow of 1,660,000 million cubic ft. is only a twentieth of that of the Yangtsze, but the rainfall in the Yellow River basin occurs usually in the two months of July and August and can be very heavy for a short time. The average overall is, however, only some sixteen inches. There is therefore a very great variation in the flow of the river. Where it enters the plain near Chengchow the average flow is only 46,000 cu. ft. a second, but in the 1933 flood it rose to 777,000 cu. ft. a second. There were fifty breaches of the dykes, 4,250 square miles were flooded and over 2½ million people affected. It is estimated that in 1843 the volume of water may have been as great as 1,270,000 cu. ft. a second.

The range in the volume of water is itself serious, but the real source of trouble in the Yellow River is the amount of silt it carries with it. The Nile carries in suspension one ounce of solid matter per cubic foot, the Heilungkiang four ounces, the Colorado ten ounces, but the Yellow River in flood carries two pounds per cubic foot. Most of this silt is gathered by the river in its north—south course, Paotow to Tungkuan. At the former point the silt suspension is only six ounces per cubic foot. The estimated average erosion is 1,380 million tons a year and the delta between 1949 and 1951 moved 6 miles out to sea over a fan shaped area of 25 miles. In the lower reaches, when the speed of the river falls the silt is deposited and chokes the bed of the river. As a result the bed of the channel may be 10 or 20 feet, and the dykes 40 to 50 feet above the level of the countryside.

The immediate work done on the Yellow River was to repair 1,000 miles of dykes and to create two flood basins by preparing the Tungping Lake in Shantung and by making a basin between the main dyke and an older dyke on the north side of the river at Chungyuang on the Honan/Shantung border.

The overall plan for the Yellow River conservancy was given to the Peoples' Congress by Vice Premier Teng Tse Hui on 18th July last year. The details given below are a brief summary of this report. The overall plan which has been called the "Staircase Plan" is to divide the river up by a large series of dams. The river has been divided for conservancy purposes into three sections, the upper reaches from its source to Lingyang Gorge above Kweiteh in Chinghai, the middle reaches are from this Gorge as far down as Chengchow in Honan where the river enters the plain, and the lower reaches from there to the sea. Most of the conservancy works are concentrated on the middle reaches and the rough division of emphasis is as follows:—

(1) From the Linyang Gorge to the Chingtung Gorge in Kansu the river is falling rapidly and the main emphasis is on hydro electric power.
(2) From the Chingtung Gorge to Hokuochen where the river turns south, the main emphasis is on irrigation and improvement of navigation.
(3) From Hokouchen to Yumenkou, approximately where the Fen River comes in, silt prevention is the first object. From there down, navigation, irrigation and power generation are all concentrated in the Sanmen Dam, but there are to be two irrigation dams below Chengchow.

The eventual aim is to produce 23 million k.w. of power, increase the irrigated area from 16½ million mow to 116 million and to improve navigation so that a 500 ton tug will be able to reach Lanchow all the year round.

The key to the whole Yellow River scheme is elimination of silt and therefore on all the tributaries flowing in the loess area, check dams are to be built and measures are being taken to prevent erosion and conserve the soil. Afforestation plays a most important part and certain areas must have the grass cover restored. In the overall scheme, four major dams are concerned mainly with generating electricity and providing water for irrigation. These are the Lungyang Gorge dam which is to provide power for the Tsaidam basin, the Liuchia Dam to provide power for Lanchow, the Heishan Dam, whose power will presumably be used in Paotow, and the Sanmen Dam, to provide power for the Sian, Loyang and Chengchow area.

The scheme is estimated to take seventy years, and the first phase is now being developed. The key project in this is the Sanmen Dam, not far from Loyang. It is to be finished in 1961 and will apparently be initially about 285 ft. high; it will generate one million k.w. power, will store 1,236,000 million cu. ft. to begin with and create a reservoir with an area of 2,350 square miles which will stretch beyond Tungkuan and well up the Wei valley. It will be larger than Lake Winnipeg.

In the first phase of the construction of the Sanmen Dam a quarter of a million people have to be moved and eventually 600,000 have to be resettled. The first have already left for new homes in Kansu. It will probably also be necessary to realign the Lunghai Railway. The dam is planned to keep the heaviest flood at 282,000 cu. ft. per sec. and the minimum flow at 17,652 cu. ft. per sec. as against a present minimum of 7,000 cu. ft. per sec. If silt prevention measures were not taken, it is estimated that the Dam would silt up in 50—70 years.

The second large project in the first phase is the Luchia Gorge Dam with a 350 ft. head of water to generate a further million k.w. of electricity. It is expected to be ready in 1961. As this Dam is in a remote area only 27,000 people will have to be moved. The site of the dam is in a gorge about 200 ft. wide with cliffs 350 ft. high.

As part of the first phase, five silt checking reservoirs will be built on the major tributaries in Shensi and Shansi and two multi-purpose reservoirs are to be built on the Fen and Pa Rivers. Down stream from the Sanmen reservoir, a further three flood prevention reservoirs will be built, on the Yi, South Lo and Chui Rivers. These are to be finished in 1964. Irrigation dams will be constructed at three places and are expected to irrigate five million acres. The cost of this first scheme is reckoned at JMP 5234 million (£765 million) of which the Sanmen project takes up Y1220 (£180 million) and the Luchia project Y416 million (£60 million). It is of interest that the Aswan High Dam was estimated to cost £486 million.

The Huai River

The Huai River, some 680 miles long, has a basin of 67,200 square miles of which 44,250 are cultivated. From

1191 to 1851 the Yellow River ran south of the Shantung peninsula and occupied the lower course of the Huai. When it changed its course, so much silt had been deposited that the Huai was never able to maintain a straight flow to the sea and so filtered through creeks and down the Grand Canal. This lower basin therefore became an area of marsh and swamp usually flooded and difficult to drain. In 1938 the K.M.T. dynamited the Yellow River dykes near Kaifeng to try and hold up the Japanese advance and the Yellow River once more ran south of the Shantung peninsula and at one stage its principal outlet was at Yangchow.

Conservancy work started in 1951. The main problem in the lower reaches was to restore the drainage and prevent floods. 1775 miles of dykes were repaired, rivers dredged and flood basins organised, the biggest of which was the Hungtze Lake. To control the waters the Jenhochi sluice gate was erected at Cheng Yang Kuan, where the river enters its lower reaches, and the Sanho sluice, controlling the outlet from the Hungtze Lake to the Grand Canal and Yangtsze. Other sluice gates were at Huaian and at various other points. A new one at the mouth of the Sinyangkeng River was begun at the end of September last year. It is to be about 650 feet long and completed this year. A third sea control is to be begun soon. These works included by-pass locks for navigation. An outlet to the sea a 100 miles long was cut from the Hungtze Lake and this fulfils the purpose also of irrigating North Kiangsu. Tidal gates have now been fitted to this Canal and at the mouth of the Sheyang River. On most of the northern tributaries of the lower reaches of the Huai, irrigation canals are, or will be, built and the rivers themselves have been cleaned out and in some places straightened.

The main attempt to prevent flooding is to control the floods at source on the upper reaches of the Huai and its tributaries. The first three dams built were the Paisha on the Hun River, Panchiao on the Nan Hung River, and the Shihmantan on a tributary of the Hung River. The next six were:—

1. Po Shan on the Sha River, which was supposed to be completed in 1953 and was actually finished in 1954. The dam is about 100 ft. high and the reservoir capacity 10,000 million cu. ft.
2. Tapoling. This reservoir is situated on the Honan-Hopei border on the Huai itself. Nothing has been heard of its construction.
3. Nan Wan on the Shih River. It was started in 1953 and "basically completed in November, 1955". When completed the dam will be about 110ft. high and half a mile long. The capacity will be 3,213 million cu. ft. and about 1,000 k.w. of electricity is to be generated.

All the above mentioned dams are to the west of the King-Han Railway. Dams to the east of the railway are:—

4. Lungshan on the Huang River. This dam was to be completed in 1954, but nothing has been heard of it.
5. Mei Shan on the Shih River. This is the biggest dam in the whole system. It was to have been completed in 1954 but it seems to have been damaged in the floods that year for it was stated to be under repair in November 1955, and to have been basically finished in May last year. Its capacity is 77,760 million cu. ft. and the dam is 276 ft. high and 1,840 ft. long. The generating capacity is stated to be 2,400 k.w. but this seems small.
6. Fo Tze Ling on the Pi. This reservoir was started in 1952 and was finished in October, 1954, more or less to schedule. The dam is 230 ft. high by 1,700 ft. long and the capacity is 3,047 million cu. ft. The present power output is 8,000 k.w. but this will be increased to 11,000 k.w. by Spring next year. The power is taken by a 90 mile H.T. transmission line to Hofei.

There have been reports of further reservoirs. On 25th March last year it was stated that six reservoirs had been finished and seven were to be finished last year. On 17th April it was stated that seven reservoirs were completed and five more were to be started last year. Three more names have been mentioned. These are:

> Siang Hung Tien of 72,500 million cu. ft. capacity and Mo Tze Tan. These two reservoirs are related to the Fo Tze Ling. The third reservoir mentioned is the Leung Ho Kou. The Motzetan reservoir was started on 22nd Sept. '56. It is some 15 miles upstream from the Fotzeling Reservoir. The dam is to be 1105 ft. by 258 ft., storage capacity 10,000 million cu. ft. and power output 15,000 kilowatts.

It is possible that these three reservoirs, plus the Tapoling and Lungshan are the ones that were to be started last year. A recent map of China shows another reservoir on a tributary of the Pi, apparently called Changchuyuan, but there has been no further reference to it.

Although the Huai conservancy scheme is the most advanced in China, it has not yet eliminated floods. That there were floods in 1954 is shown by the following quotations in papers in 1955. In June 1955 the Peoples' Daily said "In Honan, Anhui, etc. many river banks have also been broken on account of ignorance and ideological dumbness". In November "Consolidation of the Huai Pei dyke in the middle reaches was planned. The dyke ensured the safety of the plain north of the Huai as well as the Tsin Pu Railway during high water last year", the inference being that the plain to the south suffered. March last year "It has been decided to end flood and drought menaces on the plains north of the Huai in seven years. Floods that occur every five years are to be eliminated. Before 1962 the dredging and erection of sluices at Hsi Fei, Pei Fei, Hei and Tu Rivers are to be completed". As late as the beginning of May the paper said "Along the middle and lower reaches of the Huai the floods such as in 1954 must be prevented, and along the upper reaches the floods such as in 1950 must be stopped".

The floods last year in the first half of June affected all sections of the Huai Valley. The Hong Kong Standard stated that dykes along the Huai had collapsed and 1,200 square miles had been flooded and K.M.T. source claimed 5,000 people had been drowned. The worst areas were in Eastern Honan, the middle reaches of the Huai and east of the Grand Canal. We have few details of the damage in Eastern Honan but the Peoples' Daily reported that 50,000 people and 20,000 animals had been evacuated from one county alone. The rainfall in the ten day period from 2nd—11th June was between 8 and 13½ inches in this area. Around Pengpu and Fouyang three million people were organised to fight the flood and by 14th June it was said that grain had been harvested from six million mow and water drained from three million mow (800 sq. miles). Here the comment was "Rainfall was such that it was inevitable that all low lying areas in the Huai valley were flooded". In the period mentioned there was 15¾" rain in Pengpu as against 20" in the whole of July 1954 and 9½" in Chengyangkwan as against 35" in July 1954. East of the Grand Canal there was flooding around Tungtai where eleven million mow of farmland was flooded to a depth of one to three feet. Rainfall in this area was about 9" in the ten day period.

It is claimed that the dykes survived the floods and it almost seems as if the flooding was caused more by inability to get the water off the land into the rivers than from any other cause. 100,000 water wheels, etc. were used. A traveller on the King-Han Railway in July reported seeing considerable water still lying in the area of the Huai headstreams. 'Wanda' also caused flooding of 1,560 sq. miles in Anhui. Over 1170 sq. miles was still flooded in the middle of September. The total area flooded this year in Anhui cannot be less than 2000 sq. miles.

Construction of further reservoirs suggested that the original calculations of storage capacity needed were too low. This has now been confirmed. A report from Chengchow on 7th November states that the capacity of all the reservoirs is to be increased. "Because of insufficient hydrological data and also inexperience at the time of construction, and also because the projects were not carried out on the principle of comprehensive utilisation, the designing of the reservoirs allowed for too low water storing capacities".

So far work on only the three northern and earliest reservoirs has been mentioned. The Poshan is finished, while the Panchiao and Shihmantan are undergoing treatment. One dangerous feature reported is that the main dams of some of the reservoirs are showing cracks because of poor construction.

Yangtsze River

The Yangtsze River is 3,400 miles long and its basin occupies 756,400 square miles: it is the home of 230 million people. Foods usually result from the combination of melting snow in the headwaters and rains on the Ta Pa Shan swelling the Han River and on the Kweichow-Hunan border causing the Yuan, Siang and allied rivers to flood. When all these come together a large flood in the Hankow area is to be expected. In 1931, 34,000 square miles were flooded and Wuhan went under water, but in 1954 Wuhan was saved.

The overall Yangtsze plan is not expected until this year, but usual temporary measures have been taken. The most important of these is the Chinkiang flood basin, across the River from Shasi, which was carried out in 1953. This turned the lowland east of the Hutu River and north of the Ansiang into a basin which can take 165,000 million cu. ft. of flood water. Additional flood basins have been built on the Han River and on the Huayang River. The Han basin at Tu Chia Tai has a capacity of 105,000 million cu. ft. and covers about 200 sq. miles when full. It was finished on 26th April last year. The Huayang basin can hold 190,000 million cu. ft. and was finished on the 3rd May. In all these cases use has been made of existing depressions or lakes and the basins are not entirely new. The natural flood basins of the Tung Ting and Poyang Lakes are no longer of great use as they have silted up so much. In fact the Peoples' Government have tried to expedite the flow of water through the Tung Ting Lake rather than to use it as a flood reservoir.

The main project on the Yangtsze at the moment is the Yangtsze Dam. It appears that it is to be built on the Hupeh-Szechwan border at the down stream end of the Wushan Gorge, near Patung. It is to be about 400 ft. high and should generate 15,000,000 k.w. of electricity. Storage capacity is the enormous figure of 3,727 million million cu. ft. The lake formed will stretch up to Chungking where another dam is planned and a further dam is mentioned upstream from Chungking at Ipin where the Min River comes in. Part of the project is to improve navigation so that 10,000 ton ships can reach Chungking.

The only major projects that have been mentioned so far on the Yangtsze tributaries are two dams on the Han River and a very large reservoir and hydro-electric scheme on the Yuan River. In March last year it was stated that the main Han River dam is to be completed in 1962. It is to be located 170 miles above Hankow where the Tang River comes in and will store 25,000 million cu. ft. Power output will be around 350,000 k.w. In addition mention has been made of a dam on the Saitzu River, a tributary of the Han. Work was started on 6th January last year and was to be completed this winter. The dam is 1,650 ft. long and is already about 270 ft. high. It appears that this is an earth dam and its storage capacity is around 4,200 million cubic feet.

In connection with the main Han River Dam, a canal is projected to link the Tang River with the headstreams of the Huai and then on to the Yellow River near Chengchow. When completed this would give an inland water route from Hankow to the Yellow River and thence via the Victory Canal, Wei River and Grand Canal to Tientsin.

A scheme for a reservoir in the Yuan River area has just been announced. Rough plans are to be worked out for a reservoir, with a capacity nearly six times that of the San Men Reservoir, to generate 1,500,000 KW of electricity.

On the Lungchi River near Chungking various hydroelectric projects are going ahead. It is likely that more of these will be developed as part of the overall plan. Most of the rivers flowing into the Yangtsze in Szechuen have a course of rapids when they leave the table land and run down into the deeper trench cut by the main river, so that hydro electric development is comparatively simple. It is calculated that total power available in the Yangtsze Valley system is of the order of 120 million k.w.

There are few details of other conservancy and hydro electric schemes south of the Yangtsze but in due course, no doubt, schemes for each major river complex will be worked out in detail.

PART III

The above review of the major water conservancy schemes has shown both what is proposed or is being done, and also the colossal size and variety of the problem. No single aspect of conservancy by itself can prevent flood damage. Dams, dykes, contour ploughing, afforestation all have a part to play. Although so far no scheme seems yet to have proved successful it is perhaps too early to say that any scheme is inadequate, but construction of further reservoirs in the Huai shows that original calculations of storage capacity needed were too low.

A gigantic effort spread over several generations is required and if successful it will result not only in assuring an increase in crops but it may even lead to significant climatic changes in areas where a vegetable cover replaces bare earth.

Labour. In order to carry out these large scale conservancy works, the Peoples' Government has had to make use of immense quantities of labour. While the three main constituent elements in this labour are fairly clear, their relative importance is difficult to judge, and is bound up with politics. The following is a rough guess at the position, past and present.

For the relatively easy earth work such as re-building dykes and dredging river channels, the Peoples' Government has made use of the traditional method of mobilising the manpower of the countryside. Although tools are of the simplest, a million men armed with hoes and baskets can yet move a remarkable amount of earth quickly. This has been the method of conservancy in China for generations and in most cases it seems likely that the peasants are still the main labour force.

On the more remote sites, or where the labour to be performed is long drawn out or particularly hard, it would seem that at any rate some prison labour has been employed. Many millions in China have been sentenced to "reform through labour" and there have been persistent reports that many of these were employed on the Huai and other dam sites. It must be remembered that many of the more spectacular public works throughout China's history probably have been constructed by prisoners, political or criminal. Chin Shih Huang Ti used so-called 'criminals' to join the disconnected portions of wall to form the Great Wall of China. It would be interesting to know how much of the public works undertaken at the beginning of each Dynasty were performed by the adherents of the losing cause who were held as prisoners.

Certainly in the early stages of construction on the Huai River, labour was practically all manual and this applies also to the Kangting earth dam. For these long term projects prison labour would be the cheapest and the most suitable. It is impossible to keep peasants away from their fields when the growing season starts and it would be very expensive, even on China standards, to retain in remote areas a large paid labour force.

The third element—and one of increasing importance—is the skilled workers, the engineers and technicians who are responsible for all the major construction work (outside earth work) and who have apparently always been relatively well equipped with mechanical assistance.

However important at one stage prison labour may have been, it is likely to be a rapidly diminishing asset. Either the prisoners die or serve their sentences and without further purges or battles to replenish the stock, the numbers available must drop off rapidly after the first few years. The remarkable speed of the social changes in China has, most likely, accentuated this as there should have been fewer political or ideological prisoners becoming available for 'reform through labour' in the last few years. In addition, the amount of free labour available for hire may have diminished. The emphasis in China is all now on construction and production and therefore it is not likely to be possible to draw off large numbers from the countryside on a permanent basis without interfering with agricultural plans. At the same time it does seem that mechanisation is increasing.

This should all add up to a change in the composition of the labour force and especially to an increase in the importance, and probably in the numbers, of the professional dam builders who work with mechanical tools. There will be, on the other hand, a relative decrease in the importance, but not necessarily in the numbers of manual labour permanently employed on the various construction sites. There is still, of course, the winter reserve of manpower in the countryside that can also be drawn upon to meet flood emergencies at other times. In general the trend is likely to be that on the major dam projects labour is permanent and more and more skilled and the need for large numbers of cheap labour (prisoners) is reduced.

Finally I would say that I am well aware that I may have got some particulars wrong and omitted many items. It is not possible, I find, to say at any particular date "All information is now available, anything further will refer to new work". Little bits of information appear from time to time and have to be fitted in. I think, however, that the broad picture of what is proposed or said to have been accomplished is a reasonably accurate summary of the information available in Hongkong.

COMPARATIVE TABLE

RIVER	RESERVOIR	Dimensions of Dam feet	Storage Capacity million cu. ft	Area sq. miles	Power output k.w.	Completed
Sungari	Feng Man		353,000	185	567,000	Repaired '56
Liao	Ta Hou Fong	135 x 4200	65,600	35		Scheduled '56
Yungting	Kuanting	150 x 950	77,700	85		
Yellow	Sanmen	Abt. 285	1,236,000	2,350	1,000,000	Scheduled 1961
"	Lu Chia	Abt. 350 or more			1,000,000	
Huai	Po Shan	Abt. 100	10,000			1954
"	Nan Wan	110 x 2600	3,213		1,000	1955 (basically)
"	Mei Shan	276 x 1840	77,760		2,400	May '56 "
"	Fo Tze Ling	230 x 1700	3,047		11,000	Oct. '54
"	Siang Hung Tien		72,500			
"	Peisha					Abt. '53
"	Panchiao					"
"	Shihmentan					"
"	Mo Tze Tan					
"	Leung Ho Kou					
"	Changchuyuan					
Yangtsze	San Hsia	?400 ft.	3,727,000,000		15,000,000	
"	Han		25,000		350,000	
"	Saitze	?280 x 1650	4,200			Winter '56
"	Chinkiang		165,000	)		
"	Tu Chia Tai		105,000	200)	Water detention basins.	
"	Huayang		190,000	)		
Colorado	Grand Coulee				1,974,000	
"	Hoover	726			1,000,000	
"	Shanta	602			379,000	
"	Glen Canyon	580	1,132,560		800,000)	Projected.
"	Flaming Gorge	440			72,000)	
Hongkong	Tai Lam Chung		645			
Zambezi	Kariba				500,000 k.w. (1st stage) 1,200,000 k.w. (at end of second stage)	£79,414,000 £113,234,000

SOUTHEAST ASIA AND COMMUNISM

The Psychological Effort of the Communists in Southeast Asia in 1956

PART 1

I. GENERAL

It is easy to regard Southeast Asian Communist propaganda in 1956 as more of the fare offered up in 1955—the hand of generous friendship proffered by Moscow, the continued smile from Communist China, the mien of benign respectability put on by the local Communist parties, and the posturing for bona fide "national unity" on the part of the Communist fronts. Actually, the Communist message for 1956 has revealed a new personality in a number of important particulars. The Twentieth Congress of the Soviet Communist Party in February and the Eighth Congress of the Chinese Communist Party in September prescribed a non-cataclysmic path to power for the local Communist parties. They clarified that Communist victory can be the fruit of prosperity and peace rather than depression and anarchy; that it can be slow and gradual, culminating a many years' effort to cultivate an irresistible political and economic movement towards a Soviet-type state; that it should not impair the "good name" and friendly foreign relations of Moscow and Peiping and indeed can exploit them; but that in the end it must insure that no return to the ancien regime can occur.

A. What Distinguishes Communist Agitation Today?

In isolating the particulars that give Communist agitation and propaganda in and towards Southeast Asia their present peculiar flavor, one should note that the starting point and present sine qua non of Communist efforts in every country is the disengagement of that country from close and friendly relations with the US. Given the conditions of "neutralism," Communists believe it possible to agitate a new program of peace, national unity, economic development, and friendly relations with the Bloc that will effectively supplant their old destructive program for the seizure of power, though they are not yielding their right or capability to wield violence if necessary.

The disengagement of a country or party from US influence does not automatically lubricate the wheels of Communism. Indeed internal repression of the Communist party may increase. But Communists evidently believe that national environments uncluttered by the presence of the US and SEATO furnish the best present milieu for the cultivation of the type of economic and political "socialism" they presently envision.

It is the element of conventional public relations that most distinguishes the Communist psychological effort in Southeast Asia during 1956. The Communists not only wish to achieve respectability and popular good will but have adopted an increasing number of Western techniques to this end. The common view that Communists have attained propaganda perfection over the years overlooks their most basic deficiency in Asia to date, namely the bad name of Communism there. Though the Soviet Union and the Communist parties are frequently accepted as the champions of nationalism and anti-colonialism, the Communist reputation has been marred by their Leninist willingness to sacrifice good will to momentary dictates of violence, insurrection, subversion, or even party discipline.

Failures there have been in the Communist quest for Asian good will in 1956. The publicity given to Communist China's border encroachments upon Burma is the most notorious example, though a number of countries, including Burma, have become increasingly disenchanted with their barter trade agreements with the Soviet Bloc. Then again, each Communist party has been confronted with dilemmas of discipline as it has sought to make itself appear more conventional and popular.

While Peiping remains caught in a paradoxical conflict of policies on the Burma question, the World Communist Movement in general appears to be dedicated to creating a reservoir of South-east Asian good will towards the USSR, Communist China, and Communism, where none or little existed before. The filling and replenishment of this reservoir, it may be noted, is now as important a Communist goal as the depletion of the large existing reservoir of basic good will towards the US built up during the past century and especially in the years surrounding World War II.

B. Targets

Each Southeast Asian country, and the members of SEATO especially, continue in some way to be major agitational targets, but the type of opportunities vary widely from area to area. As noted, Peiping's efforts to cultivate a good name in Burma have been seriously prejudiced by a paradoxical Chinese encroachment into the border areas. Thailand and the Philippines have witnessed a major Communist effort to fan latent anti-American sentiment. While the degree of Communist influence in the Thai anti-US press is unknown, there appears to be some concert between newspapers attacks on the US and Chinese Communist trade and diplomatic blandishments to Thailand. Peiping has officially disengaged itself from politicking in the affairs of Singapore and the Federation of Malaya, but has maintained covert agitation for independence and union at a high pitch. Both Cambodia and Laos have been officially wooed towards neutralism, and the former has been subjected to quiet but steadily increasing amounts of internal propaganda within its Overseas Chinese community.

C. Content of Message

In publicly modifying Lenin's dictum that "the proletarian revolution is impossible without the forcible destruction of the bourgeois state machine," the Communists have added an important note of credibility to their message in Southeast Asia. The discrepancies between word and deed so evident in 1950, for example, when the slogans "peace" and "national liberation" described the armed insurrections culminating in the Korean War, have disappeared. However, Communists still appear grotesque when they protest that, as "peace-loving" souls, they must preserve their clandestine and military apparatus. Peiping is likewise ludicrous in now speaking of the conquest of China as "peaceful liberation."

Propaganda motifs that would refurbish the reputations of the USSR, Communist China, and the other Asian Communist countries and parties have dominated the Communist output in 1956. Moscow has played on the theme that its form of socialism is more prosperous and enduring than US capitalism, and more capable of aiding Asia to grow. Plans were made for a Bulganin-Khrushchev trip to Southeast Asia, and such Southeast Asian visitors to Moscow as Sukarno and Sihanouk have been given the most lavish treatment.

Peiping is making a special effort to appear "democratic" and "just," while emphasizing the constant growth in its international prestige and authority and the constant diminution in those of the US. Chinese cultural and diplomatic exchanges with Southeast Asia have reached the proportions of a tidal wave, and hints were even dropped for a time in Peiping that Mao Tse-tung might visit Indonesia.

There have been some minor readjustments among the various slogans which form the continuing basis for Communist agitation. "Peace" as a general issue does not command quite the urgent appeal it once did, though the issues of hydrogen weapons, the small foreign enclaves, Irian, Goa, Macao, and Peiping's claim to Taiwan, continue to be treated by Communist media as potential causi bellorum. "National unity" increasingly replaces "national liberation" as the chief slogan of Communist action in the new post-colonial period. Subsidiary to this theme are themes concerning unity of the "progressive classes," the need for heavy "socialized industry," the role of Chinese-type farm "co-operatives" and the like.

Cultural "solidarity" and observance of religious traditions remains an important Communist motif in Southeast Asia. During the current celebrations of the 2500th Anniversary of Buddha, for example, special efforts are also being made to reinterpret Buddhism as the religious doctrine of a Communist-type classless society.

D. Instrumentalities and How They are Used

A strange conglomerate of devices for information, influence, and outright pressure distinguishes this new Communist quest for power.

Communists apparently conceive of a two-pronged agitational campaign, that carried on by the Communist countries through their various media from the outside and that conducted within the countries by the various fronts and other agencies of the local Communist party. The first form of agitation, which is henceforth designated "agitation from above," consists primarily of a massive barrage of influence, diplomacy, and culture from the USSR and Communist China, and their major subaltern in Southeast Asia, the (Communist) Democratic Republic of Vietnam. The second, which is designated "agitation from below" is directed primarily at building Communist organizational strength in social and political organizations and at coalescing voting opinion in favor of the Communist interpretation of the issues noted above—"national unity," "independent foreign policy," "civil rights," and "socialist development." The Communist parties thus hope to build an enduring mechanism for commanding mass and parliamentary votes.

In this process, the parties themselves may take an agitational back seat, and indeed, in such cases as Singapore and Burma, attempt to abandon all present militant organizational forms and to merge directly into the new political action groups (such as the PAP in Singapore and NUF in Burma). However, their tasks as the ultimate takers of power have been greatly enlarged, as they seek methods to convert intangible assets of good feeling and influence derived from "above" and "below" into tangible, enduring, and controllable voting majorities. Having been traditionally more "on their own" and more subject to regional influence than the European parties, the Southeast Asian parties have not suffered the dilemmas of "freedom" and "polycentrism" current among the former. At the same time, the new policy of gaining power by appearing popular and law-abiding (which conforms closely to their self-interest) has none of the simplicity of certain earlier violent policies.

In studying the instrumentalities wielded by the Communist countries in carrying on "agitation from above," one should not ignore the traditional fears and pressure engendered by the territorial propinquity of Communist China and North Vietnam. However, the Communists evidently intend such fears arising from the military and subversive potentials of contiguous territory to be replaced by Southeast Asian receptivity to a new type of Communist influence, compounded of blandishment and pressure and best revealed in recent Communist activities in Cambodia and Laos. Peiping, for example, no longer paralyzes neighboring Southeast Asian leaders by citing its vast size and strength in conjunction with reminders to the local party to follow the "Chinese way" in seizing power. Instead, recent official visitors from Indonesia to Peiping were urged to adopt variants of the Chinese Communist Political Consultative Conference in their country.

In exerting this and more traditional forms of influence, both Communist China and the USSR have not hesitated to appropriate and reshape instrumentalities developed by the US. Communist China for example has budgeted US$268 million for foreign aid in 1956; and the type of "educational" aid currently being given to Cambodia is an excellent example of how such monies may be used. Both Moscow and Peiping have significantly increased their broadcast time to Southeast Asia during 1956, and Moscow has begun to bring its programs and broadcasting devices up to western standards. The USSR has appropriated several US information techniques in Indonesia.

The Communist fronts, as noted, continue to be the main agencies for "agitation from below." These fall into three categories: national councils or committees of international or regional Communist fronts (such as the Asian peace councils or solidarity committees); national united fronts such as the NUF in Burma; and Chinese organizations dominated by Communist fractions.

While no successes were as spectacular as the Communist vote in Indonesia in late 1955, the NUF in Burma made significant electoral gains in the elections in April 1956, and Communists have recently consolidated their control of the major student organizations in Burma. Communist-oriented Chinese groups, particularly student and labor groups, continue to be the main agency of agitation in Singapore, which is a focal Communist objective. Such groups in Cambodia also demonstrated significant new Communist influences during 1956. In contrast, the conventional international fronts, such as the Peace Committees, have continued their decline during 1956. Communist efforts to capture the Asian-African Student Conference in Bandung during May, for example, were successfully frustrated by alert non-Communists. However, particular national bodies (such as the Indonesian labor front, SOBSI) have demonstrated unusual vitality, and a buildup of regional organizations (such as the Asian Solidarity Committee) has occurred.

II. COMMUNIST CHINA

A. Its Mission in Southeast Asia

Communist China through propinquity, size, and Asian background represents the strategic source of agitation "from above" in Southeast Asia. Nonetheless as Sukarno's recent trip to the USSR affirms, that country is not to be discounted as a potent agitational force in Southeast Asia. The ideological currents stirred up by the Russian Revolution and the spread of Marxism, Leninism, and indigenous

Communism in the area, have now been supplemented by economic agreements and cultural and diplomatic exchange. These have rubbed off some of the luster of the Kremlin's exotic remoteness, while reinforcing Moscow's claim that Russia's modernization has paved the political and economic way for Asia.

While Communist China suffers well-known disabilities as a proselytizing agency (including fears of its very size and fifth column strength), a particularly effective job has been done of white-washing the Communist revolution in China, refurbishing the "democratic aspects" of Peiping's political system, and in general making Communist China appear to be a "respected" member of the world community.

As revealed at the recent Eighth Congress of the Chinese Communist Party, Peiping's message simultaneously offers counsel to Communists and encouragement to those other Asians who insist upon a neutralist equilibrium in both foreign and domestic policy. A most candid statement of Peiping's aims was given in the People's Daily editorial of April 5, 1956, which, while intended to show the way for Communists from within, also describes Peiping's policy towards neutralist countries from without:

"According to our experience, the direction of the main blow in the revolution should be toward the major enemy and his isolation. To the middle-of-the-road forces, we should adopt the policy of both uniting with them and struggling against them, making efforts, when circumstances permit, to change them from a position of neutrality to one of alliance with us, in order to help the development of the revolution."

Peiping thus urges local Communists to direct their efforts to gaining the alliance of a broad group of political parties running the spectrum from friendly to indifferent or mildly hostile. At the same time, it has clearly manifested its own ultimate intentions toward the "area of peace" in Southeast Asia. Its output in the area has aimed "the main blow" at the United States, attempting to "isolate" the US insofar as its prestige and influence in Southeast Asia is concerned. US efforts to strengthen the defenses of Southeast Asian nations through SEATO have been the constant target of propaganda attack, apparently designed to break up the organization as well as to prevent its expansion within the area. SEATO is termed "an aggressive military bloc" which maintains "international tension" in Asia, and is described by Peiping as an instrument of "US imperialism" through which the US allegedly pursues a policy of "using Asians to fight Asians."

Peiping does not presently make clear by what agencies it hopes to effect the subtle movement of the nations of the "area of peace" into a "position of alliance" with the Communist Bloc. Communist China's present ties with the neutralist, "middle-of-the-road" nations in Southeast Asia are only informally cemented by the "five principles of peaceful coexistence" and do not exclude similar informal ties between neutralist Southeast Asian countries and the West. For the present at least, Communist China's propaganda appears to seek alliances of attitude with Southeast Asian countries, rather than their formal adherence to the Sino-Soviet Bloc. Such attitudinal alliances (particularly on issues involving "colonialism") are utilized to promote a form of neutralism which is predisposed toward the Communist side.

B. Themes

As indicated at various points above, there are important differences in propaganda emphasis among the Communist countries that address themselves to Southeast Asia (the USSR, Communist China, and the DRV) and within the Communist media of each country. Because Communist China is the leading Asian Communist country and has no major commitments in Europe, it can agitate the specific question of Irian or general issues of Asian solidarity with far more vigor than can the USSR. The DRV (Vietnam), in turn, voices appeals to Laos or Cambodia or even India, that cannot be fully echoed by Peiping. On the other hand, the fronts in some of these countries carry the burden of demanding more trade with Communist China or the USSR, recognition for Communist China, or local adaptation to Soviet political or economic techniques.

In this division of labor among the Communist organs for influencing opinion, national peculiarities play a role as important as the special interests of the parties. Presumably, Communists still regard Asian countries as falling into four categories: "socialist" (that is fully liberated from political and economic colonialism and moving, under Communist control, towards Soviet-type institutions); "regenerate" (that is following an independent foreign policy but still economically dependent); "formally independent" (that is possessing only the external, diplomatic attributes of freedom); and "colonial."

The differences in treatment may be noted by analyzing the universal theme, "peaceful coexistence." In addressing themselves to the only "formally independent" states of Thailand and the Philippines, Communists emphasize that breaking away from US alliances and doing business with the Communist countries, not only promises great economic reward but also can be accomplished with absolutely no danger to the social system of the two countries. However, "peaceful coexistence" as now agitated in the "regenerate states" of Indonesia and Burma subtly but more forcefully conveys the notion that the prevailing systems in those countries can and should be "reformed" through acceptance of Communist programs and closer collaboration with the Sino-Soviet Bloc.

Before turning to the universal Communist themes as reinterpreted in Southeast Asia, it is useful to examine the mechanism for their coordination in 1956. The themes emanate from Soviet propaganda generally (which since the Twentieth Party Congress has been more consistent as between Europe and Asia than in recent years). While Peiping as the main avenue of the Bloc into Asia, and its main source of information on the area, has the primary responsibility for reshaping the themes to East Asia and coordinating their various applications, the mechanism for so doing is by no means clear. With some minor exceptions, the Asian Solidarity Committees failed to achieve the potentials for coordinating propaganda promised in early 1956. The Peace Committees, where effective, still retained some of this function. In a number of instances, however, the local Friendship Associations with China assumed greater importance (especially because of their channels from Peiping), although limited to agitating issues relating primarily to Communist China.

The universal slogans, with modifications noted under the general section above, continue to be "peace," "anti-colonialism," "isolation of the US," "peaceful coexistence and normalization of relations," "Asian solidarity," "national independence and national unity," "socialist economic development" and 'the USSR and Communist China as models."

Though it is impossible to describe all local thematic variants on these slogans, Peiping's use of them may be briefly noted. "Peace," "anti-colonialism," and "isolation of the US" continue to express the notion of pushing Western and especially US power out of Southeast Asia. However, since the cessation or decline of military activity in Korea, Indochina, and the Taiwan straits, "peace" has been confined more and more to such specific questions as nuclear weapons tests. "Peaceful coexistence" and "Asian solidarity," while likewise conveying the notion of isolating the US, express Peiping's quest for recognition and tacit leadership in the task of neutralizing Asia. Motifs of "national independence and national unity," "socialist development" and the "Soviet model" are crucial to the task of fomenting neutralism and encouraging the tactical process of Communist takeover.

A distinctly new development in Peiping's approach to Southeast Asia in 1956 has been its effort to sell its political as well as economic system as models for non-Communist Southeast Asians.

1. Communist China (and the rest of the "camp of socialism and peace, headed by the Soviet Union") seeks to avert war through expansion of "the zone of peace." By following a policy of non-alignment with the Western powers, Southeast Asian countries can exert pressure on the Atlantic nations in order to dissolve their military blocs and otherwise frustrate their "policy of strength."

2. "The zone of peace" should increase its cultural, economic, and political contacts with Communist China and the rest of the socialist camp.

3. Communist China (and the rest of the camp of socialism and peace, headed by the Soviet Union) seeks to protect the national independence of Southeast Asian nations from colonialist predators. It does this by supporting Southeast Asian claims to territory held by colonial powers and opposing encroachments on the national independence of countries in the area—whether such encroachments take the form of economic exploitation, political-economic domination, or military threats.

4. Communist China and the nations of Southeast Asia have a strong affinity based on regionalism, a common status of economic backwardness, a common history of oppression by colonialism, and the common goal of achieving complete national independence and industrialization. Communist China and the Southeast Asian countries have affinitive cultural and religious backgrounds. The colonialist/imperialist powers (headed and supported by the United States) are non-Buddhist, non-Moslem, and non-Asian, and have no right to interfere in the Asian region.

5. The "socialist" (meaning Communist) countries of the Sino-Soviet Bloc support world peace and the national independence and industrial aspirations of Southeast Asian countries. Socialist countries, by Marxist—Leninist definition, cannot be aggressive or colonialist. Socialism, as practiced in the USSR and Communist China with emphasis on development of "heavy industry first," is the best method for underdeveloped countries to follow in order to achieve rapid industrialization.

6. Southeast Asian countries can avoid a "tortuous" period of capitalism and proceed directly toward socialism with its promise of rapid industrialization because of the availability of Bloc economic and technical advice and the presence of Soviet and Chinese Communist economic and political models.

7. Communist China's rapid progress towards industrialization with maintenance of political independence despite extensive Soviet assistance "proves" the disinterested nature of Soviet Bloc aid to underdeveloped countries. It also "proves" that the relations between socialist (meaning Communist) countries are based on "equality and mutual benefit." These relations are to be contrasted with the traditionally "unequal and exploitative" relations between capitalist-colonialist powers and underdeveloped countries.

8. Communist China's alleged "multi-party system" and concern for the economic and cultural well-being of the Chinese people "proves" that the Peiping regime is safeguarding "political democracy" at the same time as it is promoting "economic democracy." Communist China serves as a model "disproving" anti-Communist allegations that Communist Party control of a nation leads to destruction of other political parties and to imposition of a malevolent, terroristic rule.

C. Vehicles

1. **Radio:** The first nine months of 1956 brought forth two interesting developments in Communist China's radio propaganda activities. In addition to the inauguration, during the first quarter of the year, of an English-language broadcast beamed to Europe, on September 15 Peiping stepped-up its weekly broadcasts in the Indonesian language from 7 hours to 12 hours and 15 minutes. Peiping International Service broadcasts directed at Southeast Asia include the following:

Language	Hours Weekly	
Amoy	28	To Overseas Chinese and Taiwan
Burmese	7	
Cantonese	7	To Overseas Chinese
Chao Chow	7	To Overseas Chinese
English	10:30	To the Far East and Southeast Asia
Hakka	7	To Overseas Chinese
Indonesian	12:15	
Mandarin	61:50	To Overseas Chinese and Taiwan
Thai	7	
Vietnamese	7	

2. **Delegation Travel:** Communist China's exchange of both official and non-official delegations with Southeast Asian countries, January through June 1956, included the following:

Country	Delegation from Communist China	Delegations to Communist China
Burma	4	3
Cambodia	—	3
Indonesia	4	11
Malaya	—	1
Thailand	—	2*

* non-official; i.e., not sponsored by the government of the country of origin.

3. **Motion Pictures:** The Chinese Communists at the end of 1955 estimated an output of 25 films for 1956. Early in February, however, after a general industry conference, the 1956 goal was increased to 36 films. Worthy of particular note was the outstanding financial success in Singapore and Malaya (as well as Hongkong) of the top-drawing film production of a famous Shaosing opera, "Liang Shan Po and Chu Ying Tai," the first color film produced on the mainland solely by Chinese Communist technicians.

4. **Books:** Communist China has announced plans for a 40 percent increase in book production during 1956, broken down into 1.4 billion copies of 28,500 titles. During 1956, Peiping has planned to construct eight new publishing houses—bringing the total to 45—and to produce 100 million volumes of 3,000 titles directed specifically at youth. The proposed printing of children's books for 1956 exceeds the total printed in that category over the last five years. Since Peiping has released no data indicating the languages or specific destinations for which Chinese Communist books are to be published, it is not possible to determine what portion of the above is slated for distribution in Southeast Asia. A hint concerning the magnitude of Chinese Communist book exports may be provided, however, by data concerning Peiping's book exports to Hongkong, which is an important re-export center to Southeast Asia. The following figures are taken from the Hongkong Department of Commerce and Industry:

Year	Value
1952	US$125,604
1953	107,853
1954	146,761
1955	418,003
1956	624,989*

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* (Projection of first six months)

Thus, a projection of the figures available for the first six months of 1956 indicates that the value of Chinese Communist books and pamphlets imported into Hongkong during the year will be five times as large as the year 1952 and will increase by one-third from 1955. The value of this type of Chinese Communist propaganda materials reaching Hongkong during 1956 may be well over half a million US dollars.

As for children's books, a catalogue issued by the pro-Communist China New Democracy Press in Hongkong indicated that 27 titles in this category were shipped to Hongkong by Peiping during the first half of the month of January alone. Both Peiping's exports and books printed by pro-Communist publishers in Hongkong are said to enjoy "very good" sales in Malaya, Indonesia and North Borneo. Under the direction of the New Democracy Press, the World Press in Hongkong has produced some juvenile books especially written for Southeast Asian markets. Titles in the latter category include "Folklore of Malaya" and "Folklore of Borneo."

5. **New Developments in Technique: a. Economic Aid:** A significant new development in Chinese Communist propaganda efforts toward Southeast Asia came to light in the 1956 State budget report presented to the National People's Congress on June 15. Finance Minister Li Hsien-nien revealed that 2.18 percent of total State expenditures for the year was to be set aside for "foreign aid and other expenditures." This appropriation would amount to about US$268 million, the largest portion of which is devoted to foreign economic aid. On June 21, Communist China and Cambodia announced an Economic Aid Agreement whereby Peiping granted Phnom Penh industrial and construction equipment amounting to 8 million pounds sterling (US$22.4 million) during 1956-1957, and agreed to send technicians to Cambodia "according to Cambodian requests and Chinese capabilities." A "protocol of implementation" attached to the agreement stipulated that the "Chinese Government will not interfere" or exercise control over Cambodia's use of the aid. The protocol itself augmented Peiping's efforts to contrast US aid "with strings attached" to the "selfless and unconditional" aid allegedly offered by Communist countries.

Long-range plans to use economic aid as a technique for "uniting with" underdeveloped nations were revealed in Premier Chou En-lai's September 16 report on proposals for the Second Five Year Plan given to the Eighth National CCP Congress. Chou's outline of planned expenditures showed a residual fund (i.e., that not specifically designated for administrative, economic and cultural, or military expenditures) which includes among its major components aid to foreign countries as well as the servicing of domestic and foreign debts. Although Chou revealed no further breakdown of this residual fund, its planned total is at least 50 percent higher than that set aside for the same purposes in the First Five Year Plan. This increase could indicate Peiping's intention to increase considerably its economic aid approaches to Southeast Asia during the 1958-1962 period.

b. Expansion of Leader-to-Leader Contacts: During 1956 Communist China succeeded in inducing visits from highest-level Southeast Asian officials, including Prime Minister (Prince) Sihanouk of Cambodia in February, Prime Minister Souvanna Phouma of Laos in September, and President Sukarno of Indonesia during the first half of October. Peiping's emphasis on leader-to-leader contacts was noted in a New China News Agency report of the reception held by Chou En-lai on the eve of Communist China's National Day Celebration, in which NCNA attributed to Chou the statement "that mutual contacts between leaders, and the exchange of friendly visits between the people of different countries had become an outstanding feature of current international relations."

c. Establishment of a China "Buddhist Theological Institute" in Peiping: On September 28 Communist China's "front organization," the Chinese Buddhist Association, announced establishment of a China "Buddhist Theological Institute," the newest agency of Peiping's efforts to utilize religion as an instrument of propaganda directed at Southeast Asia. Not unlike its Moslem counterpart, the China "Institute of Islamic Theology," the new China "Buddhist Theological Institute" promises to attempt reformulation of Buddhist views to conform more closely with Communist doctrine, and heralds the development of a new organization for diffusing Chinese Communist concepts of desired Buddhist political action into Southeast Asia.

d. More Extensive Utilization of Cross-Reporting from the Southeast Asian Press: During 1956 Peiping has sharpened its technique with respect to cross-reporting of selected items from the Southeast Asian press. This was particularly noteworthy in Communist China's choice of Thai press commentary concerning US "dumping" of surplus agricultural products in Southeast Asia.

(To be continued)

INDONESIA'S DEVELOPMENT PLANS AND PROBLEMS

By Benjamin Higgins

The late Hadji Agus Salim once said that the Indonesian revolution has yet to enter its economic phase. The statement is still true. Each of the Governments since the establishment of the Republic has given lip-service to the need for economic development, but in most cases their development plans have gone little further than statements that achieving increased economic welfare of the people was part of the government's program. Similarly, the official program of the major political parties has tended to stress "social justice," "welfare," and improved distribution of the national income rather than economic development.

Since their achievement of sovereignty at the end of 1949 Indonesian leaders have been so preoccupied with reconstruction, establishing law and order, organizing government administration and jockeying for political power that they have appeared less "development-minded" than their counterparts in neighboring countries. It took six years after the transfer of sovereignty, and over four years after the establishment of a National Planning Bureau with United Nations assistance, for Indonesia to produce a development plan.

Having won their independence, Indonesians certainly want higher standards of living; but so far most Indonesians have regarded the achievement of this goal more as a matter of "redividing the pie" than as a matter of making the "pie" grow. In particular, they have looked to a redistribution of income as between Indonesians and foreigners (including Chinese) as a source of higher standards of living for Indonesians.

However, there is evidence that Indonesia is now entering a transition phase, in which economic development will gradually become a major issue for government consideration and for public discussion. Growing dissatisfaction with the current instability of the economy, and with the failure to achieve clear-cut improvements in living standards for the masses of the people, is stimulating increasing interest in development planning. Recognition is spreading of the fact that the only sure road to high standards of living for Indonesians is raising productivity, and that recent instability is a symptom of the same long-run problem of raising output faster than population grows. Recent palliatives have checked once again the tendency towards inflation, but more and more people understand that they are only palliatives and that in the long run only improved techniques, higher skills, capital accumulation, more and better management and enterprise, and structural changes can put the Indonesian economy on a firm footing.

In his speech opening the new Parliament on March 26, 1956, President Sukarno stated that Indonesia is entering a new phase in her history. The period from August 17, 1945 to December 27, 1949—from the Declaration of Independence to the recognition of sovereignty—was one of "physical revolution." The years 1950 to 1955 were described by the President as a "survival period," during which the new nation was unified, the process of orderly government established, and the economy rehabilitated after a decade of war and revolution. Now, says the President, Indonesia is entering a period of "planning and investment." A most important feature of this new period will be investment of human skill.

Early in 1955, the National Planning Bureau announced that it was completing preparation of a Rp. 11.4 billion "investment budget" designed as the first step in launching a process of sustained economic growth in Indonesia. In May 1956, the Minister of Planning announced that a Rp. 30 billion five-year plan was at last being presented to Cabinet.

Economic Problems

Indonesia faces two sets of fundamental economic problems. The current one, with which the authorities have been mainly preoccupied in recent years, is to offset the country's inherent tendencies towards instability, aggravated since the war by political pressures that have made "austerity" policies difficult to introduce and execute. The long-run problem is poverty. While better off than some of her neighbors, with a per capita income of about $100 per year, standards of living are generally low. Even these low standards are threatened by population growth. The rate of growth is not extraordinarily high—1.5 to 2.0 per cent per year—but the base on which it takes place is large relative to the resource pattern, with present techniques and with present labour, managerial, and technical skills.

The short-run problem: stabilization. Indonesia's dependence for money income on a narrow range of raw materials exports made her economy unstable even before the war. Since the war the instability generated from the export side has been reinforced at times by inadequate fiscal and foreign exchange policies, while at other times effective short-run measures have kept the external and internal deterioration of the rupiah in check. While the Korean boom lasted, Indonesia enjoyed a short and somewhat spurious prosperity, which gave the infant Republic a breathing spell, to gather strength before major economic difficulties beset it. In 1950, Indonesia had a favourable balance of payments, although there was a budget deficit and a rising cost of living. In 1951, the buoyancy of exports brought a budget surplus as well.

This relatively happy situation was entirely changed by the collapse of the Korean boom. During the second quarter of 1952, prices of major Indonesian exports dropped drastically, bringing a decline in foreign exchange earnings. Imports continued high, being more closely related to income some months in the past than to current income. The balance of payments position was sharply reversed. From mid-1952 to mid-1954, Indonesia lost foreign exchange reserves at a faster rate than any other country in the world. In August 1954, the Indonesian Government resorted to the escape clause in the Statutes of the Bank of Indonesia, permitting the Bank to suspend its 20 per cent legal reserve requirements "in extraordinary circumstances."

Because of the close link of tax revenues to export income, a budget deficit also appeared. By the middle of 1952, it was apparent to the fiscal authorities in Indonesia that the country was facing a first-class financial crisis. During the following year, a major part of the energies of these authorities was devoted to designing stop-gap measures to check the drain on foreign exchange, and to offset the inflationary pressure arising from the budget.

From that time until the present day, four successive governments have struggled with the basic problems of protecting foreign exchange reserves and preventing inflation. The measures used—except for Dr. Sumitro's valiant cuts in budget deficits during his two periods as Minister of Finance—all bear the same stamp of "ingenious ad hocery." Lacking the political and administrative powers to utilize the monetary and fiscal controls regarded as orthodox in the West, the authorities resorted to two types of measures which they could enforce: foreign exchange policies and direct withdrawals from the money supply.

Apart from rationing of foreign exchange—the administration of which has shown great improvement in recent months—the major measure in the foreign exchange sector has been the import surcharge system, with rates of surcharge varying inversely with essentiality of imports. The original rates were zero, 100 per cent and 200 per cent; later a new 33-1/3 per cent category of "revenue" and "infant-industry" items was added, while at the same time the number of items on the free list was drastically reduced; and later still the rates were raised to 50, 200 and 400 per cent. In 1954, a 66-2/3 per cent surcharge was imposed on transfers of invisibles.

The monetary measures have included advance payments for foreign exchange, which have been successively raised from 40 to 75 per cent and later to 100 per cent. Foreign firms have been required to liquidate bank debts before transferring profits. Later foreign importers were required to put up an advance deposit of Rp. 5 million and all importers were required to make advance payments at time of application for exchange instead of when the license was granted. Commercial banks were required not to increase their advances to importers, although in late 1955 this restriction was relaxed somewhat. During 1955 sales from Government rice stocks contributed to reduction in the money supply.

These measures have sufficed to protect Indonesia's remaining foreign exchange reserves, while keeping the rise of domestic prices and of black market prices of the rupiah within limits. But in their very nature, these devices have only a short-lived impact on the economy. The ingenuity of the Indonesian authorities has been severely taxed to find new stabilizing measures as the effect of old ones has waned especially since political and administrative barriers have prevented the execution of the anti-inflationary fiscal policies that are really needed until productivity can be substantially raised. In 1956, the Government was once again compelled to suspend Central Bank reserve requirements.

The long-run problem: raising productivity. Judging from the available statistics, national income per capita is below the 1939 level, is probably below the 1929 level, and may even be below the level of 1919. There is no clear evidence that per capita real income is currently rising although average living standards of Indonesians may possibly be improving. Recovery since the war and revolution has been substantial, but output of several traditional exports is still a fraction of pre-war levels, notably sugar, tea, coffee, pepper, fibers, palm oil, tobacco, bauxite and coal.

Economists in Indonesia seem to be agreed that the present state of the Indonesian economy is not adequately described by the published statistics. The statistics show mild inflation, expanding food production, lagging estate agriculture and a varied picture in industry, with per capita income apparently stagnant. What one has seen around one in the past two years is speculative, inflationary boom, in which some sectors of the population are clearly prospering, although their gains may be at the expense of the other sectors of the population. How can personal observation be reconciled with the statistics? The explanation is that the expanding sectors of the economy are not adequately covered by official statistics. There has been a shift in relative importance from estates to smallholders, whose output and income is not fully reported. There is no satisfactory statistical coverage of the burgeoning services sector, including finance. There are no figures for private residential construction, which is obviously active. The small private manufacturing industries which are springing up are also not fully reported. With no national income series, no industrial production index, and no broad price index, it is not easy to say what is happening to the economy as a whole. It is clear, however, that real incomes of those large sectors of the population who do not share in the "inflationary boom" are falling, and the financial situation is still critical. A definite solution of Indonesia's twin economic problems requires greatly accelerated capital formation, technological progress, improvement of labour, technical and managerial skills, and structural change—in a word, economic development.

The National Assets

Indonesia is frequently referred to as a country "rich in natural resources." The conviction that the country is rich in natural wealth, and that a mere transfer of ownership and control of these resources to Indonesians is sufficient to achieve a higher standard of living for Indonesians, underlies much of the indifference of most Indonesians towards economic development plans. Closer examination reveals that what is really meant in saying that Indonesia is "rich in natural resources" is that Indonesia has a wide variety of resources. In addition to soil and climatic conditions that permit self-sufficiency in foodstuffs plus exports of such major products as rubber, copra, coffee, tea, sugar, tobacco, sisal and spices, Indonesia has also petroleum, tin, bauxite, gold and silver, iron, coal, manganese, nickel, diamonds, copper, sulphur, lead and zinc. The hydro-electric potential also seems to be high in some areas. However, it is by no means clear how well the quantity, quality, and location of these resources stand up when related to a population of over 80 million people and a rate of population growth of at least 1.5 per cent per year. The quantity and quality of some of these resources are not impressive, and the quantity and quality of others are unknown. The most promising source of power (the Asahan Valley) is not too happily located relative to population and sources of raw materials; and many regions are power-poor.

Balanced growth. There is therefore no clear evidence that Indonesia has the natural resources required to produce a per capita income for 80 million people comparable to that of the more advanced European countries, at least with present levels of managerial and technical skills. It is true, however, that the great variety of resources permits a development program which emphasizes "balanced growth"—a well balanced development of the production of foodstuffs and agricultural exports and of industrialization.

"Balanced growth," of course, does not mean that the present proportions of these sectors of the economy should be maintained. In other countries the process of economic growth, without exception, has involved a decline in the proportion of the labor force engaged in agriculture and other primary industries, and a growth of the proportion in manufacturing, processing and services. It is recognized by Indonesia's development planners that any effective development plan must provide for structural change. At the same time, it is recognized that such structural change can take place only slowly. It is considered that in the short run improvements in Indonesian standards of living must come largely from increased output of existing industries, especially agriculture.

The Five-Year Plan

The development plan for 1956-1960 was prepared by the National Planning Bureau, to whom the task of coordinating the planning of economic development in Indonesia is entrusted, in collaboration with various Ministries. The basic plans were prepared by the various Ministries. The Bureau's role has been to review, revise, and integrate these plans into a national investment budget. The Bureau also has administrative responsibilities with respect to execution of the investment budget.

The Planning Bureau was originally established directly under the Prime Minister as a regular government agency. It reported to a National Planning Board comprising the nine cabinet Ministers most concerned with economic development. Its work was directed by a Director-General, who also served as Secretary to the Planning Board, with the assistance of a Deputy Director-General. In the new Ali Sastroamidjojo cabinet, there is a Minister of National Planning, and Ir. Djuanda, the former Director-General, has been appointed Minister.

The Planning Bureau is assisted by a group of foreign experts provided to the Indonesian Government through the United Nations. The interesting feature of the Agreement between the Indonesian Government and the United Nations is that the United Nations undertakes to recruit and provide salaries for these experts, but the experts sign their contracts with the Indonesian Government and do not report to the United Nations. The Bureau also has the assistance of a sizable team of American engineers, provided under an ICA contract with similar independence of the parent agency.

Reasons for the delay in the completion of the development plans. Why did it take so long after the signing of the Agreement providing for foreign experts for the National Plannin gBureau staff, for the Bureau to produce a complete development plan for the guidance of the Indonesian Government? Part of the answer is that the Bureau's standards are high, and effective development plans cannot be turned out in a hurry, especially when there is no background of national planning to give guidance.

Another part of the answer is that the Bureau has been called upon for a good deal of "trouble-shooting" in addition to its planning functions. The Director-General, in particular, is involved in current administration as well as in long-range planning.

There are also some administrative reasons. To begin with, there were delays in recruiting. It was not until July of 1952 that the first of the foreign experts recruited under the Agreement (the present writer) arrived in Indonesia, and the team was not completed until the following June. Second, the composition of the original request for nine experts reflected the government's need for assistance with certain current problems, as well as for advice on longer-range development plans. For example, there was need for national income estimates as a basis for both current and long-run policy: one of the experts requested was a National Income Expert. The range of statistics collected and organized still reflected the concepts of a colonial administration more than the needs of a national government, and a General Statistician was included in the request. Dr. Hjalmar Schacht, in his earlier report to the Indonesian Government, had stressed the need for improved public administration, as a basis for economic development. A Public Administration expert was included in the team. There was awareness that population pressure constituted a serious problem for Indonesia, and a Population Expert was requested (this post ultimately being filled by the same man who served as General Statistician). Since it was expected that transmigration would play a significant role in the development plan, an expert on transmigration was recruited, with experience in administering large-scale movements of people under IRO and UNRRA. Useful as these experts undoubtedly were, and important as the problems they tackled unquestionably are, it was gradually recognized that the expertise represented by these posts was not of the sort most useful in determining priorities in a development plan. The other posts were more directly related to development planning: natural resources, agriculture, industry, labour relations and labour productivity, and money and finance. The Bureau is now being reorganized along different lines. The monetary and fiscal expert, the population expert, and for the time being the expert on manpower training and labour relations are being retained. A second expert is being added in each of the fields of agriculture, industry, and natural resources. In addition, experts on power, community development and national income are being brought in on short-run assignments. While this reorganization should bring an improvement in the work of the Bureau, its transitional effect was to disrupt it; for some time the Bureau was reduced again to four foreign experts.

A third administrative problem faced by the Bureau during the first year and a half of its existence was the lack of clear-cut and effective direction. The Bureau was then a kind of "headless monster." General direction and co-ordination was provided by the Minister of Finance, Dr. Sumitro, who had been designated by the Prime Minister as co-ordinator of the Planning Bureau. Because of the wide range of his responsibilities, however, Dr. Sumitro was unable to give continuous attention to the affairs of the Bureau. Since, in contrast to regular United Nations planning teams, the foreign experts were full-pledged Indonesian officials, it was considered inappropriate to have a Chief of Mission among them. The Indonesian research staff was headed by a Research Director whose relationship to the foreign experts was never clearly defined. This problem was rectified, in August 1953, with the appointment of Ir. Djuanda—for the first time out of the Indonesian Cabinet—as Director-General of the Planning Bureau, and of Ali Budiardjo, a former Secretary-General of Defense, and for a few months Acting Director of the Planning Bureau, as his Deputy.

A fourth administrative problem was the lack of clearly defined relationships of the Bureau to other government agencies. The Planning Board, to which the Bureau should have reported, met as such (its composition was the same as that of the Economic and Financial Council) rarely, if at all, during the first two years of the life of the Bureau. There was no clear indication of the relation of the Bureau to the various Ministries represented in the Board. For a short time it seemed possible that each foreign expert might become a senior adviser to a Ministry, as well as a member of a planning team, so that current economic policy as well as development planning could be co-ordinated through the Bureau, supported by the Ministry of Finance. Perhaps fortunately, this conception of the Bureau's function soon disappeared, because of the natural reluctance of several Ministries to accord such a position to a foreigner. With regard to foreign aid, there was in existence a large and cumbersome "Co-ordinating Committee" (attendance at its meetings gradually crept up into the dozens), which also had loosely defined responsibilities with regard to development planning. The relationship of the Bureau to the Co-ordinating Committee was not defined. Similarly, it was not until well along in the life of the Bureau that its responsibilities with respect to the development items in the budget were clarified. Finally, the relationship to the J. G. White team of engineers, provided through American bi-lateral technical assistance, and which was concerned with technical aspects of economic development was also not defined.

All these problems are in the course of being overcome. The Bureau starts with the plans of the Ministries, drawing the Ministries into the planning process. A new and streamlined Co-ordinating Committee has replaced the old one, with Ir. Djuanda as its Chairman, and responsible for calling its meetings. A regulation has been issued stating that all requests for foreign aid, both technical and capital, shall be presented simultaneously to the Bureau and the Co-ordinating Committee. A similar instruction has been issued requiring all Ministries and government corporations to present their capital budgets to the Planning Bureau for review. In renewing the J. G. White contract in 1953, the Planning Bureau was named as the "authorizing agency" instead of the Co-ordinating Committee, to direct the work of the team. Thus the engineering group is now an effective part of the whole planning apparatus. Finally, Ir. Djuanda, as Director-General of the bureau, acts as permanent Secretary of the Planning Board, which brings him directly into Cabinet discussions of economic development policy. Ir. Djuanda is also Chairman of the Industrial Development Committee, an inter-departmental committee concerned with the planning in Indonesia, which after some three years of trial and error, now appears to be very efficient. The Director-General of the Planning Bureau is now responsible for co-ordinating development activities in all branches of the Indonesian Government.

Unfortunately, there are also still more basic reasons for the delay in completion of a development plan for Indonesia. Perhaps most fundamental of all is the lack of detailed knowledge about the Indonesian resource pattern. The Netherlands East Indies Government showed only limited interest in resources not being immediately exploited by Dutch capital. The resources of the outer islands are scarcely known, and even in Java and Sumatra, information regarding the quality and quantity of resources is incomplete. One expert, who has spent two years in intensive study of the Indonesian resource pattern, when asked whether he could state with assurance that the mineral resources would permit successful establishment of any single large-scale industry in Indonesia, felt compelled to reply in the negative. Without knowing what the resource pattern is, and consequently without knowing what is the development potential, the preparation of a development plan is obviously extremely difficult.

A second basic factor is the lack of commitment on the part of the Indonesian Government, and behind them the Indonesian people, to the planning and execution of a development programme. There is still a lack of understanding, even among educated Indonesians, of the requirements of economic development; sovereignty and prosperity are too directly linked in the minds of most Indonesians, and when sovereignty did not bring immediate prosperity, there was a tendency to blame either the continued presence of foreigners, or the particular government that was in power at the moment.

Finally, no Indonesian government thus far has been sufficiently unified to overcome inter-ministerial rivalries, which are to some extent a reflection of inter-party conflict. Acceptance of a development plan by the government would mean accepting the priorities laid down even if it meant the expansion of activities of one Ministry at the expense of others; this sort of planning has not yet proved politically possible in Indonesia. As Ir. Djuanda said in announcing the plan, both preparation and execution of development plans require teamwork.

Back of the long delay in completion of the development plan is the fundamental problem which confronts all aspects of Indonesian economy policy: the lack of resolution of the basic political conflict concerning the relationship of Indonesia to the outside world. In particular, Indonesia has not decided whether or to what extent it wishes to rely on foreign experts, foreign aid, and foreign investment in achieving its development objectives. Without such a decision, even the dimensions of the development programme are hard to determine. Determining its composition is even more difficult. Priorities cannot be established independently of the scale of developmental activity, and what projects can be financed depends a good deal on where finance is sought.

Features of the five-year plan. It would be quite wrong to write off the Indonesian Government-United Nations experiment in development planning as a failure, simply because it took so long to produce a comprehensive development plan. If the sole result had been to persuade Indonesians with the ability and experience of the present Director-General and his Deputy to devote full time to development planning problems, the experiment would have been well worth while. And the Agreement has done much more. It has resulted, as already indicated, in the establishment of a planning organization that is extremely well designed. It has introduced into the process of government a degree of coordination that was previously unknown. It has made government officials much more development-conscious, and has helped to improve the administration of the capital budget and of foreign aid. It has made economic development planning as such a topic for cabinet-level discussion. Through press comments on its work, the Planning Bureau has also aroused more widespread interest in economic development among the literate public. It is providing training to a group of promising younger Indonesians. It has provided background information for Indonesian delegations to Colombo Plan and ECAFE conferences, and useful advice on current policy issues. Even more important, the plan finally presented to the Cabinet is an Indonesian plan, and not merely a plan put together in relatively short order by a group of foreign experts. The chances of its being accepted and executed by the Government are therefore much better than is the case with plans which are only a set of recommendations from a group of outsiders. It is worth taking longer to prepare a plan, if the delay means more participation in the planning process by persons representing the people ultimately concerned.

When Ir. Djuanda announced completion of the five-year plan in May of this year, it was his hope that the new Parliament would be able to act on it by August. He pointed to the need for legal status both for the planning organization and for the results of its work. The five-year plan includes proposals for reorganizing the National Planning Board itself along lines that would make it more similar to the National Economic Council of the Philippines. The new and broader Board would be established directly under the prime minister and would include high officials from those Ministries most concerned with development planning, representatives of the private enterprise sectors and representatives of people's organizations. It would rely less on small groups of experts such as now comprise the National Planning Bureau.

The report to be presented to the Cabinet is a document of some 200 pages with chapters covering the following subjects: population; financing; agriculture; forestry; fishery; irrigation; mineral resources; electric power; industries; communications; sources of labor power; labor relations; education; health; social welfare; community development; cooperatives; government administration and plans; and the organizational program.

The five-year plan is regarded as the first of a series and subsequent five-year plans are to be bigger and better than this first one. The first plan calls for investment averaging 6 per cent of national income. In the third five-year period investment should reach 12 per cent, and in the fourth plan 16.2 per cent, of national income. By 1975 it is hoped that investment will have risen to 20 per cent of national income, "after which," said Ir. Djuanda, "there may be no further need for plans."

The figure of Rp. 11.4 billion in the five-year investment budget is carried over to the new plan as the government share of the development program. Another Rp. 11.4 billion is to be provided by the private sector, while 7.2 billions are to be provided through the villages for community development. Thus the total investment program over the five years amount to Rp. 30 billion or an average of Rp. 6 billion per year. It is expected that this investment will raise national income by 3 per cent per year. The implicit incremental capital output ratio is therefore 2:1. Population is expected to continue growing at a rate of 1.7 per cent annually leaving a modest increase in per capita income of 1.3 per cent per year.

Implicit in the plan is also structural change. Only 13 per cent of the investment budget is to be allocated to agriculture including transmigration and community development. Power and irrigation, industry and mining, and transportation and communication each account for 25 per cent of the total budget, and social welfare for the remaining 12 per cent. In the light of the composition of this plan the ICOR may prove to be higher than the 2:1 figure implicit in the plan.

The investment budget covers the major development projects of the various Ministries of the Central Government amounting to Rp. 11.4 billion for the next five years. This average of Rp. 2.3 billion a year for development investment is essentially a projection of the average rate of net investment by the Central Government in development project in recent years. The program to be financed through the budget amounts to Rp. 8 billion, beginning with Rp. 1.5 billion in the first year and rising by Rp. 50 million per year to Rp. 1.7 billion in the fifth year. It is hoped that another Rp. 2.2 billion can be financed through the banking system and domestic loans. Only 5 per cent of the budget is to be met by foreign loans and grants. If larger-scale foreign aid is forthcoming the program can be expanded.

The program is also divided among three categories of projects: Special Projects, Central Projects and Recommended Projects. Special projects are multi-purpose projects of so large a scale that only the central government can undertake them. They include such complex projects as the Asahan River valley development scheme and the Djatiluhur power and irrigation project. Special projects usually involve collaboration of several Ministries. Central projects are also carried out by the central government but are single-purposes; the Gresik cement plan and government textile mills are examples. Recommended projects are those which the Government hopes to have carried out by local governments or private enterprise.

One of the main tasks of the Bureau has been to assign priorities to particular projects within each of the two sets of categories. The projects are then arrayed in descending order or priority, and lines drawn through a point representing the estimated financial, physical, and administrative capacity of the country. If additional resources are forthcoming the program can be expanded.

Within the last year, the Bureau has shown increasing interest in community development. In 1955 Dr. S. K. Dey of India visited Indonesia at the Bureau's request and prepared a comprehensive report. As a result a number of Indonesians have gone abroad to study community development schemes. No doubt increasing attention will be paid to this aspect of development in the future.

Foodstuffs. For this first five-year plan, projects to increase food production will continue to receive high priority. The relatively small share of agriculture in the investment budget does not mean that the planning authorities attach little importance to it. It reflects rather a low capital-output ratio in agriculture, the success of recent agricultural programs, as well as the wish to shift the structure of the economy towards industry in the long run. Substantial progress has already been made towards the achievement of self-sufficiency in foodstuffs since the war. The gap between rice production and current needs has been virtually closed, and output of other foods has been increased. The progress is the result of expanding acreage under cultivation, improving methods, using better seeds, importing fertilizers and implements, reconstructing irrigation facilities, and the like.

The Welfare Plan of 1952, which aimed at self-sufficiency in foods by 1956, has nearly achieved its objectives by expanding acreage under cultivation, improving methods, using better seeds, importing fertilizers and implements, reconstructing irrigation facilities, and the like. In 1954 the government formulated a new Rp. 1.2 billion five-year agricultural plan, which includes domestic fertilizer factories. There is also a five-year fishery development plan, a five-year irrigation plan, and a forestry plan.

While much can still be achieved by more measures of this sort, it is recognized that agricultural improvement through such devices alone will soon reach its limit. Java, where two-thirds of the agricultural population live, is cut up into farms too tiny for truly modern techniques. Accordingly, interest is shifting towards the transmigration program, designed to move families from overpopulated Java to unsettled areas in the outer islands. In June of 1955, the Department of Transmigration submitted to the National Planning Bureau a five-year plan to move 400,000 families (2 million people). The plan calls for a steady increase in removals from 40,000 families in 1955 to 280,000 by 1957.

Plantation products. The legendary "wealth of the Indies" is associated with the traditional exports, most of which are products of plantation agriculture: rubber, copra, sugar, sisal, tea, coffee and spices. These commodities still provide the bulk of Indonesian exports; rubber alone still accounts for about one-third of the value of exports. Unfortunately these plantation industries are facing serious problems, problems which are reflected in the fact that the area under plantation crops is still only some two-thirds of the pre-war level. The combination of highly mechanized processing operations in the "factory" side of plantation industries with labor-intensive operations in the agricultural aspect of their undertaking puts the plantation industries in a difficult position. The large amount of capital required for the "factory" part of the operation means that plantations must operate close to capacity if they are to be profitable. However, operating the plants to capacity requires the operation of plantations to capacity. With losses of productive land through destruction, squatters, expropriation, blight, disease, and inadequate maintenance, the output of some plantations is no longer sufficient to keep the plants operating at capacity. In addition, the effective working week on many plantations is too low to maintain capacity production. Finally, labor organizations are strong in plantation industries, and gains in real wages have been obtained for which there is no commensurate increase in labor productivity. Since prices are determined in the world market constantly rising labor costs could squeeze out the Indonesian plantation industries altogether. Meanwhile some of the plantation industries are facing increasing competition from synthetics, the costs of which are steadily reduced, and the range of uses steadily increased, by technological progress in the synthetic industries.

Because of these uncertainties plans for the plantation industries consist in reconstruction, plus projects to improve strains and train workers, rather in raising total hectarage under plantation crops significantly above pre-war levels. At the same time efforts are being made to encourage small holders agriculture in the same export crops. However, the social and political reasons for expanding small holders agriculture appear to be more persuasive than the purely economic ones.

Small industry. Efforts are also being made to establish indigenous small industries. As early as 1951 the Economic Urgency Program laid down the main lines for industrial development. With the assistance of a United Nations team of experts and of bilateral aid from the United States the government has in process a program for the establishment of "induks," or central producing organizations, in such fields as wood-working, iron works, ceramics, leather, umbrellas, bronze smelting, textiles, and furniture. As yet this program has made only limited progress.

Large-scale industry. The Economic Urgency Program also included large-scale industries "of vital importance because of their influence on other segments of the economy" as "supporting supplementary elements" of the program. The program calls for investment of Rp. 8 billion over the five years 1955-59. The plan for large-scale industry is divided into "short-term" and "long-term" projects. The short-term projects included printing plants, remilling plants, a cement factory, a spinning factory, a tire factory, a gunny-bag factory, and a knitting plant. Of these, the printing plants have been most successful. The plan called for six units, and seven have already been established. Each of these has been set up by the Government, and then sold to private national enterprise on credit. Only two of the seven remilling factories had been completed by the end of 1954, and even these were not actually in operation. The cement plant at Gresik, financed by an Export-Import bank loan, is the biggest single project in this program. The "long-term" program included caustic soda, fertilizer, aluminum, plywood, paper, glassware, knitting, spinning, tannic acid, cocoanut flour, and a smelter for scrap iron. Of these, only the cocoanut flour was in operation at the end of 1954.

Much the most dramatic of the "plans" for heavy industry is the one for development of the Asahan Valley in North Sumatra. On paper, this plan calls for a complex of power plants, an aluminum plant, a fertilizer plant, a pulp and paper plant, irrigation, municipal lighting, and subsidiary power-consuming small industries such as sawmills, possibly a cement plant and the like. The total power potential to be developed by some seven plants at different points along the Asahan River Valley is estimated at nearly one million kilowatts, approaching the capacity of the great Hoover Dam at Boulder Canyon. The estimated costs would make it one of the cheapest sources of hydro-electric power in the world. Thus far, however, firm financing for this gigantic project is not in sight.

Transport. For a country with Indonesia's geography, transport is clearly a problem of primary importance. Moreover, as a new nation, never before united under a single administration, and confronted with intense regional jealousies, Indonesia's need for adequate transport is more than economic; it is a key factor in unification of the country. Viewed in this light, Indonesia's relatively large outlays on reconstruction of railways, purchase of railway rolling stock, improvement of airports, acquisition of aircraft, and expenditures on harbors and shipping seem well justified. While the investment budget reduces the share of capital outlays going to transport and communications, as compared to capital budgets in the past, transportation projects will continue to play a substantial role in Indonesia's plans for economic development.

Importance of industrialization. The available information on Indonesia's resource pattern—agricultural and industrial—suggests that Indonesia is another underdeveloped country where the road to a higher per capita income is through industrialization. Increased production of such commodities as petroleum, bauxite, and tin, and the introduction of such commodities as aluminum, pulp and paper, cement, fertilizer, tin plate, and perhaps later even iron and steel, could raise the Indonesian economy to a wholly new level of industrialization, and thus bring a new level of productivity and of living standards. If the production of some of these commodities proves as favorable as preliminary observations indicate, Indonesia may become an exporter of these products to the growing markets of Southeast Asia, as these other countries themselves industrialize.

Capital requirements. An industrialization program of this sort is expensive. Preliminary estimates of the capital requirements for Indonesian economic development, suggest that Indonesia needs a net investment of about Rp. 12 billion per year to launch and maintain a process of steady economic growth. This figure would appear to be about double the current or planned rates of net investment, public and private. Other studies suggest that about half of the required increase in net investment could be obtained from domestic sources in Indonesia, within the limits of current economic and political possibilities. However, even with all-out effort on the part of the Indonesians themselves—an effort that will require a higher degree of "development-consciousness" than now prevails—there will remain a gap of some Rp. 2 or 3 billion, or $150 to $250 million per year at current rates of exchange to be filled from abroad. This essential foreign component of the development program could come either from foreign aid, foreign private investment, or both. But here we encounter the political aspects of Indonesia's development.

Political Problems in Economic Development

Few of the many political parties formed since 1945 have roots in the preceding two decades and none of them has much political or administrative experience. Some of the forty-odd groups which run candidates for the recent general election cannot be considered political parties at all; and only four of them—Nationalist, Masjumi (Moslem), Nahdatul Ulama (Moslem) and Communist—emerged with significant popular support. The names and electoral signs of only a few of the major parties were widely known in rural areas. Even for the four major parties, moreover, it is not easy to characterize their attitudes towards economic policy in general or toward economic development in particular.

Indonesian sources sometimes follow a triplicate classification of parties: nationalist, religious and marxist. The line dividing recent governments from their oppositions, however, cuts across these divisions. Any effort to rank Indonesian political parties from "left" to "right" also requires caution. The term "left wing" and "right wing" means something different in Indonesia from what they do in the West. They refer less to questions of domestic policy than to attitudes towards "completion of the revolution"—that is, towards the rate at which the achievement of sovereignty should be followed by elimination of foreign economic influence. If "right" symbolizes nationalism, all Indonesian political parties are more or less of the right. If "left" stands for socialist, collectivist, "anti-capitalistic" ideas, they are all leftish.

Perhaps the least debatable statement that one could make about Indonesian political parties is that all are nationalist, all are in some sense socialist, and all but the Communist (PKI) are in some sense neutralist. The "socialism," however, ranges from vehement hostility to capitalism (PKI), to doctrinaire statements promptly mitigated by pragmatic concessions to domestic and foreign private enterprise, because at this stage they are necessary for the country's economic development (Masjumi, right-wing Nationalist or PNI). "Neutralism" is coloured by pro-Western sympathies in some cases (Masjumi, right-wing PNI) or by rather strong suspicions of Western motives and intentions in others (left-wing PNI). Nationalism itself—the binding cement of the whole political system—is not uniform with regard to such "unfinished business" as West Irian, the attitudes towards the centralized and unitary state, interpretation of "converting the colonial economy into a national economy," and other issues.

The picture is further complicated by the fact that political manners practiced by Indonesians are not based on ready acceptance of majority decisions, but on the subtle process of reaching unanimous agreement by a series of successive approximations during which opinions are reconciled and adjusted until all can agree on a solution and no one "loses face." In the Javanese village this traditional method of establishing the "sense of the meeting" is known as "mufakat desa." Such consensus is much harder to achieve at the national level than in the village community. So far the "mufakat desa" approach is more common in the Cabinet than in the Parliament. The latter is recognized as a "debating society"—but so far, few major decisions have been made by the Parliament.

Cross-party splits. Some political analysts would maintain that any attempt to analyse attitudes towards economic development policy in terms of Governments or parties is a waste of time since the major issues run across party lines. Each major party is split within itself on basic issues. While there are innumerable shadings of opinion, for analytical purposes it is convenient to divide the politically active and articulate Indonesians into two groups. One of these is a group led by relatively young, sometimes foreign-trained intellectuals who attach high priority to economic and social development of the country who feel that this development must follow Western lines in large measure, and who are willing to co-operate with the West, at least to the extent of seeking technical and capital assistance from the West, in order to achieve this goal. This group might be labelled "economic-minded."

The other group is a mixture of Communists and of a larger number who are nationalist, conservative (in Western terms), and isolationist. Its leaders attach highest priority to "completion of the revolution" in the sense of eliminating the control on Indonesian national life exerted by foreigners through economic activity. While favouring economic and social development they attach great importance to retention of the national culture, language and religion and to abolishing the remnants of foreign influence. The attitudes of this group spring in large measure from the country's long history of resistance to foreign invaders, culminating in the postwar revolution. They might be labelled for convenience "history-minded."

In general, it was this second group that formed the earlier Ali Sastroamidjojo government. The recent Harahap "caretaker Government" reflected to a larger extent the attitudes of the economic-minded group. Once again, however, it is necessary to qualify: the Masjumi and PSI parties which provided leadership in the Harahap (and Wilopo) governments are certainly not eager to see the indigenous culture or language disappear; and the Masjumi seem to have more concern for the retention of religious values than many Nationalists. The PNI is clearly split between the two groups, and most parties could be divided into two factions corresponding to these groups.

While the "economic-minded" group tends to give priority to economic development, the "history-minded" group gives higher priority to "converting the colonial economy into a national economy." In short, one might say that the first group is more concerned with "making the pie grow" and the second with dividing it more evenly, especially as between nationals and foreigners.

There is another important cross-party split: the "Outer Islands" against the Center. This split reflects a more severe form of the "states rights" cry familiar in the United States. Indonesia has rejected federation—at least for the time being—because Indonesians feel that the "United States of Indonesia" was a Dutch device for preventing their unification into a strong nation. Meanwhile, centralization of powers has been excessive, and has caused much resentment in the outlying districts.

Effects of political splits: petroleum and foreign investment policy. A good example of what happens as a result of these basic splits can be found in the field of petroleum policy. In 1954 the Government concluded tax and foreign exchange agreements with the American oil companies, which make their situation in Indonesia no longer markedly less favorable than in other countries. But if present production is to be maintained—let alone expanded—the companies must soon obtain new exploration and development rights. Four years ago, however, the "Hassan Resolution" was adopted by the Provisional Parliament, requesting that no new leases should be granted to foreign oil companies before new legislation had been adopted in this field. The injunction was approved, with the expectation that the matter would be settled in a few weeks. Nothing has happened since, partly because the problem is tied up with the politically delicate problem of disposition of the former BPM properties in North Sumatra. Those properties, which fell into Indonesian hands during the revolution, are being operated by the Government at 1 or 2 per cent of pre-war capacity, without having been formally nationalized. The development-minded group would like to see these properties returned to BPM, who can restore them to full production. The nationalist-isolated group is opposed to this "reactionary move," and would like to see the properties nationalized.

Similarly, a special committee was set up in 1954 to translate the general principles on foreign investment, already presented to Parliament by the Minister of Finance, into a draft bill. These general principles were not markedly dissimilar from the "model foreign investment law" drafted by the International Chamber of Commerce. It is to be assumed that the draft bill, which was approved by the earlier Ali Sastroamidjojo Cabinet, was in the same liberal spirit. But Parliament did not act on this Bill. It was felt that a general foreign investment law cannot be settled independently of the mining law and the mining law is hung up on the petroleum issue.

Converting the colonial economy into a national economy. Despite differences in emphasis, all political parties in Indonesia are agreed on "converting the colonial economy into a national economy." A "national" economy does not mean "nationalized," but "Indonesianized." Most parties are not greatly concerned about "public vs. private enterprise." All of them, however, are concerned with increasing the share of Indonesians in the ownership and management of major enterprises. The necessary amounts of foreign capital—whether from private enterprise, from governments, from foundations, or from international agencies—must be obtained in a manner which is consistent with the "conversion of the colonial economy into a national economy" in this sense. Since not more than one-third of the funds for economic development need come from abroad, there can be a gradual decline in the proportion of national income produced by foreign enterprise, even if the amount of foreign capital is considerably increased. It is in this same manner —a gradual increase in the share of current investment performed by nationals—that the former colonial economies of Australia, Canada, New Zealand, and the United States have been "converted into national economies."

Social Goals and Problems

The political ambivalence with regard to development has roots deep in Indonesian society. Most Indonesian leaders and intellectuals of today are a product of two philosophical trends: the Indonesian "Adat" or "customary law" tradition, and "Western" social system. In the pre-revolutionary period, Indonesian education was given in Dutch and based on the schools and universities of the Netherlands. Educated Indonesians know more of the geography and history of the Netherlands than of their own country. Yet, in their homes, they spoke the traditional languages, Javanese, Sudanese, Minangkabau and others, with their elders. They attended Wajang (theatre) performance and heard their ancient traditions extolled.

"Freedom" and "independence" no longer serve as constructive social goals; they provided rallying cries for the overthrow of the old order, but did not provide a positive program for the future. The Indonesians have also adopted the philosophy of "democracy," but they feel that Indonesian democracy must somehow be different from Western democracy. For guidance, the leaders turned to their tradition. They did not revert to the tradition of the Sultanate and the court, however; this was too feudalistic and too totalitarian. Instead, they looked to the Indonesian village for social form; for social behaviour, they turned to their "adat." Village democracy informed the spirit of the revolution. The chiefs, the leaders and the ministers became the "elders" and were called "pak" (father) or "oom" (uncle), while the President and one's colleagues became "bung" or "saudara" or "mas" (brother, cousin, etc.). The ideal society was to be one where men worked together ("kerdja-sama") and helped each other ("tolong-menonlong") for mutual aid ("gotong-rojong"). Even the Provisional Constitution has established the "cooperative" as the basic form of Indonesian Enterprise.

The Javanese (and other Indonesian) village has long had its own type of democracy. The lurah or village head is elected by the people, and decisions within the competence of the village are made by a council of elders, similar to a city council. The decisions are arrived at after polite discussion and, in theory at least, are supposed to represent the distillate of opinion, and might better be called a "consensus of opinion" rather than a decision.

While Indonesians look to the village as the source of much of their social aims and goals, at the same time, all of them—even the communists and extreme nationalists—purport to hold such "Western" ideals as: "self-determination of peoples," "democracy," "national and state loyalty (nationalism)," and "economic development." Indonesians recognize these two sources of their social thought, and the unresolved problem of where and how these two modes are to be combined. Most leaders want to "settle the principle" of "over-throwing the old colonial spirit and yet keeping what is valid."

Indonesian leaders are much concerned with the nature of the new society being created, and with its symbols and ideals. A pre-war saying in the Indies claimed: "The Dutchman dies with power, the Chinese dies with money, but the Indonesian dies with ideals." Several leaders have quoted this adage; but others state as a social goal the gradual modification of this focus on ideals and sentiments.

Yet becoming "business-minded" also has a negative valence to the Indonesian. One of the most often expressed ideals today in Indonesia is that of helping each other and working together. "Ramah-tamah," the quality of being familiar (family-like) and friendly, is perhaps the most-admired attribute. Too much concentration on business activities and a consequent lessening of the social amenities is also frowned upon by many of the elite. This attitude is changing among the younger people and among those in the larger cities, but it still remains as a social ideal. Even in the business world itself, this ideal enters. "We must crystallize the 'gotong-rojong' (working together, mutual aid) in the form of a corporation." "The only form of business for Indonesia is the cooperative where all may share the profits and the running of the enterprise."

Some Indonesian leaders fear the loss of this "family-like" atmosphere and its replacement with a "cold, materialistic, efficiency-centred, rationalistic, 'Western' spirit." They want to keep the "spirit of the revolution," the "Indonesian spirit" and "our way." Part of their concern is tied up with the fear of too rapid a change, or the inability of the people to shift modes of thought and behavior so quickly. Part also is a genuine desire to hold on to the graciousness and charm of the traditional modes.

With so many racial groups, languages, traditions, and classes, it is not easy for Indonesia to develop a "family-like" society. In such a society, more depends on mutual understanding of standards of behaviour than on formal laws and regulations. Until a new "Indonesian" tradition has become established and formalized, a "family-like society will not function."

The conflict in social goals is the principal barrier to their achievement in Indonesia today. The leaders seek more "business-mindedness" on the part of their people, but are opposed by their own desires to hold on to the "gotong-rojong" and mutual-aid, familistic concepts. They would like a blend of the traditional village life, and the modern world of trade and commerce and advanced technology. Meanwhile the wish to increase efficiency in government and business conflicts with the desire to retain the more positive aspects of paternalism, and development of local culture impedes the development of a unified national culture.

Until there is a clear determination by the Indonesian people—or at least by their leaders—as to the kind of society they want to build, it is difficult for them to assess the relative merits of various development schemes that may be suggested. The failure to establish clear cut social goals is also a complicating factor in relations between any Indonesian Government and foreign governments or foreign enterprises, especially large enterprises concerned with the processing of natural resources and governments offering aid for specific purposes. It is not only that no clean political decision as to the proper role of foreign enterprise has yet been made; it is also that the Indonesians are ambivalent about the role in their society of large-scale enterprise, of modern enterprise, of competitive enterprise, of individual enterprise. This lack of determination of aims with regard to social and economic organization is an embarrassment to Indonesian Governments in dealing with large foreign companies, foreign governments, and foreign aid agencies. It also inhibits development planning.

Outlook for Indonesian Development

Indonesia's development plans take cognizance of the major proximate factors in economic growth. There is provision for technological progress in direct fashion in the transport and communications, industrialization, multi-purpose project, and agricultural sectors of the development program. The budget for general education is a more round-about way of accelerating technological progress. There is also direct provision for improvement of skills. The plan makes modest provision for capital accumulation, especially as regards social capital. The transmigration program provides some relief from population pressure, and opportunities for frontier development.

In some respects, however, it would appear that the planning authorities have lacked the time, information, assured financing, and general directives needed to produce a comprehensive and effective plan. The scale seems too small. The total amount of net investment provided is not enough to get Indonesia "over the hump." The transmigration program is too small to be considered a bold attack on the population problem and it makes only a limited contribution to resource discovery or frontier development. The specific provisions for manpower training and technical education are inadequate. Too little attention has been paid to the role of local governments.

Above all, there is insufficient attention to the problems of entrepreneurship and management. Whatever the Government's attitude towards private enterprise, the simple truth is that much of the responsibility for development is being left to the private sector. Such being the case, the plan—as described to the public—includes too few measures for creation of the legal framework, tax system, foreign exchange and import policy, labour legislation, land policy, managerial and technical training, that would assure the needed flow of entrepreneurial activity.

Behind these deficiencies, however, are the political and social obstacles outlined above. Now that a duly-elected government has been established, it may prove easier to resolve differences of opinion regarding political and social objectives, to accelerate completion of a comprehensive development plan, and to instrument its execution.

ECONOMIC LETTER FROM TOKYO

Economic Condition: In its economic report for November, Economic Planning Board states that the tempo of economic expansion has moderated. But, as the tempo of the increase in consumption is also slowing down, there is now less fear of consumption boom. The Middle-East crisis has caused some rise in prices of foreign trade goods and outburst of buyings in the share market, and also influenced shipping charges, but general situation remains little disturbed. Wholesale prices are 1.3% down in the past one month, owing to a decline in prices of iron and steel and agricultural products. Exports in November totalled $216 millions and imports $222 millions, and our international payments resulted in a favorable balance of $25 millions. Equipment and building investments are on about the same high levels since last July. Industrial production in September recorded the post-war high, though the tempo of its increase has slackened especially in non-durable goods.

Local Economic Situation: In the conference of local bureaux chiefs of the Ministry of International Trade and Industry, economic situation in the provinces was reported as follows: Stable prosperity prevails over the country, and a notable improvement may be seen in the coal-mining and small and medium-sized industries in general. Industrial production is, however, being hampered by the shortages of electric power and steel, and congestion in railway transportation. The Suez crisis had some disturbing effects on industries for a while, but it is now of little import.

Equipment Investment: According to a survey of the Japan Development Bank as to the equipment investment plans of 823 principal corporations in fiscal 1956 and 1957, such investments amount to Y601,600 millions this year, which is 71% higher than last year. Another 5% increase to Y632,500 millions is expected in fiscal 1957.

Bank Earnings: The result of the settlement of accounts by all 86 banks throughout the country for the first half-yearly period (Apr.-Sept.) this year, as published by the Finance Ministry, shows an unexpected gain in their earnings, because of increased flow of funds reflecting business prosperity. Profits before writing down amounted to Y40,500 millions, an increase of 2.5% compared with the previous period. Again, owing to a notable increase in the volume of funds moving, the percentage of administrative expenses declined, so also the cost of deposits. Even in the case of provincial banks the cost of deposits dropped to 6% level, same as in the city banks. Also noteworthy is the fact that the profits before writing down of the provincial banks were over 7% greater than the previous period, while they remained about the same in the case of city banks, chiefly because the loan rates of the latter were reduced twice as much as the former during the period.

New Governor of the Bank of Japan: The Cabinet decided on the change of the Bank's governorship, Mr. Araki being released from the office and Mr. Yamagiwa, hitherto Governor of the Export-Import Bank, being appointed the Governor to succeed him. It is because Governor Araki had fallen ill of cerebral thrombosis since late in September, from which he has not yet recovered. Being judged unable to continue in the responsible position of the central bank governorship, he tendered his resignation. Vice-Governor Inouye will remain in the office for the time being. On his appointment to the new office Governor Yamagiwa said that the most important thing for present day Japan is the maintenance of the currency value; and with that end in view he will execute the Bank's monetary policy flexibly duly considering the international situation and developments.

Reserve Requirement System: After continuing the discussions on the institution of the system, the Monetary System Investigation Committee came to an agreement on the following points: (1) The reserve requirement system shall solely be aimed at the regulation of currency, and it shall be established by law; (2) Financial institutions to which this system is applicable shall be limited to those coming within the purview of currency regulation; (3) What the reserve is required for shall be the amount of deposits outstanding, and the reserve shall be kept at the Bank of Japan in no-interest-bearing deposits; (4) Only the maximum percentage of reserve requirements shall be fixed; (5) The operation of the system shall be administered flexibly in conjunction with the Bank rate policy as well as the open market operations; (6) The power of its administration shall be entrusted to the Policy Board of the Bank of Japan, but the Government retains the power of veto or reservation in the Board's decision. A sub-committee consisting of 9 members was appointed to draw up and make report on the concrete plan along the lines above mentioned. Necessary bills for the institution of the system shall be presented to the next regular session of the Diet, if possible.

FOREST INDUSTRY ORGANIZATION OF THAILAND

By Mongkol Sriyanonda

The Forest Industry Organization is a governmental organization subject to the Forest Department in the Ministry of Agriculture. It was founded in the year B.E. 2490. Its administrative Board of Directors consists of the Minister of Agriculture as Chairman, the Deputy Minister of Agriculture, Vice Chairman, with eight other directors. The objects for which this organization was established are:

(1) To give service to the state and the public with regard to forest industry. (2) To undertake the business of forest industry such as working of timber, collecting of forest produce, converting of timber, making plywood and veneer, seasoning of timber, preservation of timber by way of impregnation, destructive distillation from timber, manufacturing or production of articles from converted timber or forest produce, and also to undertake any other businesses relative or similar to such businesses as aforementioned, including other industries pertaining to timber or forest produce.

The fiscal year of the Forest Industry Organization is starting 1st of June and ending on 31st of May of the following year. This fixing of the fiscal year is for the purpose of making it coincident with the working season of timber floating down the logs and checking of stocks of timber. The Forest Industry Organization received an assignment from the Forest Department to undertake the working of forests of Teak and other woods. Working of Teak covers about 33 percent and working of other woods, mostly Yang wood, covers about 10 percent of the whole area of working forests of the state. Besides, the Organization also carries out the working of Teak and other timber which is confiscated as a result of convictions for stealing or destroying of timber. This operation falls in with the plan of the Government in preventing timber stealing or destroying of forests.

In the working of timber, this Organization adheres to the following principles, viz. a. Forest Industry Organization is a governmental body. The working of forests by this Organization is part of the state enterprise and is intended for the benefit of the state. b. All forests are property of the state. The working of timber by this Organization, therefore, is in the nature of the owner of the forest working on its own property with a view to coordinate the working of timber and maintenance of forests in order that they may yield a constant productivity and may gradually multiply over a long period. In other words it is different from the working of timber by concessionnaires who generally hope for the best result on their part within the period of concession without considering the future. c. Forests assigned to the Forest Industry Organization are under a working scheme of this Organization geared to the working plan of the Forest Department. d. The working of timber by this Organization, no matter in what form or nature, shall be under close supervision by personnel in charge at every stage. e. This Organization shall arrange to allow persons to have elephants and equipment for the working of timber with ample forest to work on as well as to make arrangements, as far as possible, in accordance with the policy of the government for the present or future.

If the Organization should nationalize all forests and work them by its own elephants, labourers and personnel, it will affect private enterprises in some localities. Therefore, it will be the policy of this Organization to work towards that end only gradually. Now it is working four different Teak forests and in one forest of other kinds of timber.

The main product of the Forest Industry Organization is Teak logs which are disposed of by way of calling for price tenders from time to time. As regards production of converted timber, the capacity of three sawmills run by this organization is sufficient for a reasonable output of timber. The undertaking of this Organization in the operation of a sawmill for converting timber for local sale to all government departments, officials and the public has helped to maintain the price level of timber in local market and also help to lessen the cost of living. Timber product by this Organization is of good quality and of reasonable price. Moreover, the Organization also exports directly to foreign countries which earns foreign currencies and also propagates and advertises the reputation of Thai timber by maintaining the quality and price of Thai timber, and also keeps informed of the movement in prices of timber abroad for purposes of considering sale price of Teak logs.

The Forest Industry Organization planned to set up a modern sawmill in accordance with instructions of the sawmill expert of the FAO. The setting up of that sawmill has to wait because the Government has authorized this Organization to invest first in the setting up of a plant for making plywood and veneer. For this purpose the Thai Plywood Co., Ltd. has received twenty million baht.

At present the Forest Industry Organization has agents for timber dealing in London, Copenhagen, Amsterdam and Singapore. The important timber exports of this Organization consist of two kinds; namely

1. SAK (TEAK) (Tectona grandis, Linn.)

Locality: Northern provinces. Utility: An excellent timber for all round utility. Available supply: Plentiful. Moisture content: 11%. Ash: 1.583%, Silica: 0.269%, Specific gravity: 0.6311, Weight: (Pounds per Cubic Foot): 39.4430.

2. YANG (Dipterocarpus sp.)

Locality: All over Thailand. Utility: A good and cheap timber for general constructional purposes. Available supply: Plentiful. Moisture content: 13%, Ash: 1.664%, Silica: 0.361%. Specific gravity: 0.6900, Weight: (Pounds per Cubic Foot): 43.056.

There are others which are popular abroad and which the Organization is now trying to promote:—

1. SYA (Shorea sp.)

Locality: Peninsular provinces. Utility: General construction, plywood, furnitures. Available supply: Fairly plentiful. Moisture content: 13%, Ash: traces, Silica: 0.00%, Specific gravity: 0.7280, Weight (Pounds per Cubic Foot): 45.4370.

2. TENG (Shorea obtusa, Wall.)

Locality: All over Thailand except the peninsular provinces. Utility: Posts, piles, railway-ties, heavy constructional works. Available supply: Plentiful. Moisture content: 14%, Ash: 1.20%, Silica: 0.08%, Specific gravity: 1.0700, Weight (Pounds per Cubic Foot): 66.7680.

3. PRA DU (Pterocarpus sp.)

Locality: All over Thailand except the peninsular provinces. Utility: Furnitures, carts, gun-carriages, agricultural implements, heavy constructional works. Available supply: Fairly plentiful. Moisture Content: 11%, Ash: 1.094%, Silica: 0.8400, Specific Gravity: 021%, Weight (Pounds per Cubic Foot): 52.4160.

4. KANLUANG (Nauclea orientalis Linn.)

Locality: All over Thailand. Utility: Boards, plywood, packing cases, cheap furnitures, toys. Available supply: Fairly plentiful. Moisture content: 12%, Ash: 0.533%, Silica: 0.075%, Specific gravity: 0.5670, Weight (Pounds per Cubic Foot): 35.3810.

5. KWAO (Adina cordifolia Hk.f.)

Locality: All over Thailand except the peninsular provinces. Utility: Boards, furnitures, carvings, rulers, pen-holders, combs. Available supply: Fairly plentiful. Moisture content: 15%, Ash: 0.426%, Silica: 0.00%, Specific gravity: 0.6900, Weight (Pounds per Cubic Foot): 43.0560.

6. KATHON (Sandoricum indicum, Cav.)

Locality: All over Thailand. Utility: Boards and general constructional works. Available supply: Fairly plentiful. Moisture content: 15%, Ash: 0.471%, Silica: 0.19%, Specific gravity: 0.5800, Weight (Pounds per Cubic Foot): 36.1920.

7. KABAK (Anisoptera sp.)

Locality: All over Thailand. Utility: Concrete moulds, oars, packing cases, brush-backs. Available supply: Fairly plentiful. Moisture content: 17%, Ash: 1.477%, Silica: 0.235%, Specific gravity: 0.7400, Weight (Pounds per Cubic Foot): 46.1760.

8. SOMPONG (Tetrameles nudiflora, R. Br.)

Locality: All over Thailand. Utility: Cheap walling and ceiling boards, wooden-slippers, packing cases. Available supply: Plentiful. Moisture Content: 9%, Ash: 1.643%, Silica: 0.00%, Specific gravity: 0.5360, Weight (Pounds per Cubic Foot): 33.4460.

The Organization has always since its start made a net profit of:—

B.E.	Baht
2490-91	15,415,000
2491-92	10,558,000
2492-93	23,964,000
2493-94	39,196,000
2494-95	39,600,000
2495-96	23,252,000
2496-97	29,133,000

CHINA'S RAILWAY DEVELOPMENT

The tracks of the new Yingtan-Amoy railway, driven some 420 miles through jungle, mountain and valley, finally reached Amoy Island and port on December 9. The final section of tracklaying, along the great granite embankments which link the island with the mainland, was carried out under the eyes of a cheering crowd of many thousands who had come in from all directions for the occasion. Peking alleged that mingling with the cheers of the crowd were the roar of Nationalist guns on nearby Quemoy and of Nationalist aircraft overhead. It will be some time before regular commercial traffic starts, the railway stations are built, and rolling-stock is available in adequate quantities (it is already short in China as it is). But Fukien is no longer shut in, but henceforth will be part of the general network of Chinese railways. A journey that took five days by motor vehicles will hereafter be done in two days by train and freight rates will be less than a third of what they are at present. Tan Kah-kee described the event as the fulfilment of the age-old wishes of the Fukienese and of the overseas Chinese who hailed from that province, and a means for the exploitation of the great natural riches of the area, including its iron and coal deposits.

Another line will link the railway with Foochow, and still another branch will link it with Lungyen, which is rich in minerals. The railway was built by army men in less than two years, well ahead of schedule. It has 46 tunnels, and 1,973 bridges and culverts. The granite embankments are wide enough to take not only the railway tracks but also motor vehicles and pedestrians.

The two major sections of the 450-mile long Paoki-Chengtu railway, linking China's long separated North-west and South-west regions, were joined at a ceremony held at Huangshaho, in Huihsien, Kansu. Six responsible officials of the railway hammered the last six spikes, specially made in silvery colour for the occasion, to nail down the last track into the sleepers. Firecrackers were let off, a band struck up and the whistles blew, while the crowd who attended cheered. Bouquets were presented to the track-laying and bridge building workers' representatives. A locomotive draped in colour moved across the completed section, and more than 5,000 persons attended the celebration meeting near the point of junction. Construction was started in Chengtu on July 1, 1952. At the end of 1953, construction was also started at Paoki and at Shuangshihpu respectively. Hence, the railway was built in three sections: north, south and middle. Four-fifths of the entire mechanical railway building force of China was occupied on this line during the intensive stage. The entire project was completed in a little over four years, more than 13 months earlier than scheduled. A good deal of time has since been spent during the summer in repairing the damage caused at various points by the torrential rains and floods, with consequent landslides, blocking of the track, and other troubles.

Not long after the Party organs had rejoiced over the ceremonial joining of the tracks of the Paochi-Chengtu Railway, which is to link up Chengtu with the Lunghai and the Lanchow railways, they revealed with some consternation that all was not well with the new line and that "serious troubles" along the railway would have to be put right before Szechuan (known as "the storehouse of God") can be effectively linked up with the North-west. It was then explained that in June the new track was ceaselessly damaged by rains and many sections along the line caved in. In one instance a mountainside caved in which was about six million cubic metres in size, impeding the joining of the tracks at the Huangsha River. But the target set by the higher levels was July 1, and the engineering team of 200 sent out to rush repairs disregarded the work rules which required dynamiting to be done by experts and the evacuation of all labourers. The hillside began to move while the team was still busy and though the lookout gave a warning it was too late. A large boulder came rolling down, hit a case of explosives and blew several people into the next world, and caused injuries to some 43 others.

Before this the Ministry of Railways had sent a warning note that they need not regard July 1 as the deadline in the circumstances; but the units concerned still carried on shock work with the result that accidents continued to occur and that construction work deteriorated. Granted that the Paochi-Chengtu Railway was the most difficult of all; but this was all the same an undesirable and foolhardy way of working. And the incident is taken as the text for a sharp lecture on "such foolhardy ways of doing the impossible, which is still widespread in industrial and communication construction and in industrial production, numerous instances of which in mines, railway repair-shops and in a variety of other enterprises, including geological prospecting, in which some teams set out for desert areas without proper measures to get water or cross over steep precipices by a single plank bridge which let them down!

Although the northern section of the new Paochi-Chengtu Railway, completed by July 1, was almost at once knocked out by tremendous rains and landslides, which greatly delayed the opening of traffic, the section between Chengtu and Kuangyuan is very busy. There are more than 30 railway stations along this southern section and goods are coming to them from all parts of the countryside. Chungpa station, along the upper Pei River, has become an important timber transit centre. The timber is brought down from the primeval forests at Yenlichia and Wangchupa of north-west Szechuan, and some 30 carloads are sent off every day southward to Chengtu and Chungking for capital construction in those cities. Passenger traffic the chief thing at first but now the volume of freight is growing.

A carload of cotton piece goods bought for the APC's in Liangtang county, Kansu, being sent from a station in Fenghsien, Shensi, will cost only 100 yuan for transport compared with more than 500 yuan by truck or by pack-animals. Fenghsien is becoming quite a market nowadays and growing more and more prosperous, in spite of the disappointment caused by the failure to open traffic on the Paochi-Chengtu line, where the landslides stopped work on a variety of unfinished projects, such as station buildings, water supply equipment, etc. There were no fewer than eight landslides between Fenghsien and Huangshaho alone, and five more to the south of Huangshaho.

The railway lines radiating from Chengchow, one of China's major railway junctions, are now being double-tracked. The sections now being double-tracked are the 130-mile section to the North of Chengchow and the 120-mile section to the west. Both sections are to be completed by the end of 1957. The entire route of the Peking-Hankow Railway will be double-tracked during the second five year plan, beginning in 1958.

Work has started on the 120-mile east Sinkiang section of the Langchow-Sinkiang Railway, from the Hungliu River to Hami. When the whole railway is completed to Aktogai, on the Soviet border, railway transport between Peking and Moscow will be shortened by more than 1,000 kilometres compared with the route across Mongolia via Ulan Bator. The Sinkiang section will traverse a vast expanse of the Gobi Desert, the grasslands, the fringes of the Turfan lowlands, the Tienshan Mountains, and the sandy and swampy areas before it reaches the Alashan Pass on the border.

Air surveying of some 1,350 miles of new rail lines has been completed and ground surveys start in the middle of August. The first line for which air surveying has been completed runs from Sian in Shensi province to Wuwei, in Kansu, with a length of 920 kilometres. Air surveying has been more or less completed on the projected line from Sian to Hankow and from Sining to the Tsaidam Basin. Similar surveys for new railway routes for some 2,000 miles, including a line running from Chinghai province to Lhasa in Tibet, will start soon.

Double track traffic has been restored on 200 miles of the Mukden-Dairen Railway, and bridge builders and tracklayers are pushing their work farther ahead, with the intention of restoring double track operation on the whole length of the line, which was severely damaged during the civil war in Manchuria after the second world war. The work is being speeded up because it was found that the single track line could cope with the traffic.

Surveying work has been completed on the Lanchow-Yingchwan section of the proposed Lanchow-Paotow Railway. This 320-mile section crosses the Yellow River, cuts through the Great Wall, then traverses a desert area and finally reaches Yingchwan, a major trading centre in wool, hides and skins in the North-west. The whole line will total over 700 miles and will serve as a trunk line linking North China with the South-west.

HONGKONG AVIATION

Air Traffic in November, 1956

Points of Call	Departures			Arrivals		
	Passengers	Freight (Kilos)	Mail (Kilos)	Passengers	Freight (Kilos)	Mail (Kilos)
United Kingdom	374	10,364	2,768	264	9,268	6,395
Europe	232	10,994	1,362	170	5,573	1,246
Middle East	254	4,178	1,687	113	2,348	689
Calcutta	202	5,406	1,142	218	569	353
Rangoon	183	14,206	414	118	97	213
Bangkok	1,571	25,468	2,552	1,351	10,529	2,646
Cambodia, Laos & Vietnam	551	53,057	203	324	5,395	95
Singapore	700	15,548	6,032	630	6,450	2,979
Philippines	2,032	14,903	2,453	1,764	2,599	1,198
Australia	187	2,830	146	77	2,023	555
United States	299	11,480	4,201	90	4,497	3,077
Honolulu	119	5,327	135	18	303	83
Canada	153	1,722	406	57	752	289
Japan	1,775	5,402	12,795	2,002	10,521	3,625
Formosa	533	34,362	2,542	1,193	2,537	1,126
South Korea	217	13,951	136	317	636	569
Macau	9	8,428	—	10	—	—
Okinawa	132	12,192	81	76	300	—
Total	9,523	249,818	39,055	8,792	64,397	25,138
Direct Transit	862	23,617	—	862	23,617	—

Total Aircraft Departures = 333.
Total Aircraft Arrivals = 334.

HONGKONG SHIPPING

Ocean and River Steamers over 60 tons net Entering and Clearing the Port in November, 1956

	November				Total (Jan.-Nov.)			
	Entered		Cleared		Entered		Cleared	
	No.	Ton	No.	Ton	No.	Ton	No.	Ton
British	218	394,487	235	429,296	2,381	4,877,062	2,378	4,856,825
American	16	89,717	17	102,083	208	1,164,786	208	1,164,786
Burmese	—	—	—	—	4	11,380	4	11,380
Cambodian	—	—	—	—	8	4,456	8	4,456
Chinese	11	3,155	11	3,403	168	51,025	166	50,688
Danish	19	61,896	20	68,029	198	650,543	198	648,876
Dutch	22	90,822	23	91,040	205	880,072	203	869,080
Finnish	1	2,741	1	2,741	3	8,050	3	8,050
French	7	25,399	6	24,801	102	343,387	96	336,388
German	3	15,792	3	15,792	45	208,356	45	208,356
Greek	—	—	—	—	1	6,575	1	6,575
Indian	—	—	—	—	8	24,556	8	24,556
Indonesian	—	—	—	—	1	4,888	—	—
Italian	2	9,477	2	9,477	13	68,047	13	68,047
Japanese	40	111,104	41	113,177	396	1,098,095	396	1,098,095
Korean	3	7,485	3	7,485	28	46,602	31	46,746
Liberian	2	4,246	2	4,246	27	57,314	27	57,314
Norwegian	37	101,772	38	106,201	390	1,086,310	388	1,078,009
Pakistan	1	4,678	1	4,678	2	8,975	3	13,281
Panamanian	9	16,789	11	18,309	132	234,296	132	236,747
Philippine	5	5,129	2	4,465	28	62,236	23	59,109
Polish	1	3,787	2	9,368	4	15,990	3	12,203
Portuguese	—	—	—	—	6	31,021	6	31,021
Ryukyu	—	—	—	—	1	853	1	853
South African	—	—	—	—	1	4,587	1	4,587
Swedish	9	29,578	10	33,287	89	275,730	87	269,609
Thailand	1	1,672	1	1,672	6	10,032	6	10,032
Turkish	—	—	—	—	1	2,291	1	2,291
Vietnamese	—	—	—	—	7	5,412	7	5,412
Yugoslavian	1	1,759	1	1,759	13	25,228	13	25,228
Total	408	981,485	430	1,051,309	4,476	11,268,155	4,456	11,208,600

FINANCE & COMMERCE

CHINA'S TRADE IN AGRICULTURAL PRODUCTS

China's imports from and exports to various countries for the years 1952 to 1954, based on statistics of foreign countries. All figures are expressed in thousands of metric tons. Trade with the ruble area (USSR and people's republics) is not included in the following figures.

IMPORTS

Commodity and countries of origin	1952	1953	1954
WHEAT			
Canada	—	—	0.2
Argentina	—	—	19.2
Australia	—	—	0.2
Total	—	—	19.6
BARLEY			
Iraq	—	—	0.5
Total	—	—	0.5
RICE (milled)			
Burma	—	2.1	—
Hongkong	—	—	0.1
Japan	—	2.0	—
Thailand	15.0	—	—
Total	15.0	4.1	0.1
TOBACCO (unmanufact.)			
India	—	1.0	—
Total	—	1.0	—
COTTON (lint)			
Mexico	0.1	0.1	—
Brazil	—	1.4	4.1
Burma	—	—	0.1
Iraq	0.1	—	—
Pakistan	71.7	10.4	32.7
Syria	—	—	0.7
Turkey	0.1	—	—
Anglo-Egyptian Sudan	—	0.1	—
Egypt	8.8	10.7	10.8
Total	80.8	22.7	48.4
WOOL (actual weight)			
France	—	0.1	—
United Kingdom	—	0.4	0.2
Hongkong	0.2	—	—
India	—	0.9	—
Australia	0.1	0.6	0.5
Total	0.3	2.0	0.7

EXPORTS

Commodity and destinations	1952	1953	1954
BARLEY			
Belgium-Luxembourg	—	—	0.8
Hongkong	—	0.1	0.7
Malaya-Singapore	—	0.1	—
Total	—	0.2	1.0
MAIZE			
Austria	—	0.3	—
France	—	20.7	—
Germany, Western	—	2.5	—
Italy	0.8	—	—
Netherlands	7.9	—	—
United Kingdom	19.1	6.5	—
Hongkong	1.2	1.1	—
Japan	0.1	—	—
Total	29.1	31.1	—
RICE (milled)			
Finland	—	—	1.8
Iceland	—	0.1	—
Netherlands	—	—	1.0
Ceylon	36.3	2[illegible]4.9	217.8
Hongkong	5.6	3.3	—
India	150.4	—	—
Japan	—	—	72.9
Kenya	—	—	0.1
Total	192.3	268.3	293.6
SOYBEANS			
Belgium-Luxembourg	4.3	8.0	—
Denmark	—	12.1	—
Finland	—	7.5	12.9
France	—	—	4.7
Germany, Western	10.3	47.1	30.8
Italy	—	—	5.0
Netherlands	10.3	36.4	12.9
Norway	—	2.6	—
Sweden	—	—	3.5
United Kingdom	1.3	—	—
Hongkong	32.9	8.1	25.1
Japan	0.6	24.4	45.9
Malaya-Singapore	10.7	7.1	11.7
Philippines	0.3	—	—
Total	70.7	153.3	152.[illegible]
OILSEED CAKES AND MEAL			
Austria	—	—	0.3
Denmark	—	6.0	—
Ireland, Rep. of	—	—	0.1
Germany, Western	0.7	1.4	2.1
Netherlands	—	0.7	0.2
Switzerland	0.2	3.2	—
United Kingdom	11.0	1.5	—
Hongkong	13.5	0.1	—
Japan	2.4	10.4	—
Malaya-Singapore	3.0	2.4	0.9
Total	30.8	25.7	3.6
SUGAR			
Burma	7.5	8.1	—
Ceylon	—	0.1	5.1
Hongkong	0.1	2.2	1.3
Japan	1.2	1.3	1.0
Malaya-Singapore	—	1.1	2.1
Ethiopia	—	—	0.2
Total	8.8	12.8	9.7
PREPARED MEATS			
Hongkong	0.7	1.2	1.1
Malaya-Singapore	—	0.1	0.6
Burma	—	0.2	—
Total	0.7	1.5	1.7
EGGS			
Austria	—	0.1	0.2
Belgium-Luxembourg	0.2	0.1	0.1
France	0.1	0.4	0.3
Germany, Western	2.7	4.4	6.2
Italy	0.3	0.9	0.4
Switzerland	0.2	0.3	0.3
United Kingdom	3.6	15.5	11.0
Colombia	—	—	0.2
Hongkong	22.9	24.0	23.2
Malaya-Singapore	6.0	5.5	3.7
Philippines	0.4	—	—
Total	36.4	51.2	45.[illegible]

ECONOMIC INDICATORS OF TAIWAN

	Currency and Finance						Market Interest Rates in Taipei		Price Indices in Taipei					Foreign Trade (U.S.$1,000)		
	Note Issue		Deposits		Loans and Discounts											
Period	Total NT$ 1,000,000	Index June, 1949 =100	Balance NT$ 1,000,000	Index June, 1949 =100	Balance NT$ 1,000,000	Index June, 1949=100	% Monthly Rate	Index June, 1949=100	Wholesale Price Index 6/15/49 =100	Retail Price Index 6/15/49 =100	COL Index for Taipei Civil Servants 6/15/49=100	Index of Industrial Production 1948=100	Wage Index 6/49=100	Exports	Imports	U.S. Aid Imports
1949	198	354	207	209	441	678	17.4	42.3	100.0	100.0	100.0	156.0	100.0	33,874	25,990	8,688
1950	298	528	659	666	632	972	12.0	29.2	270.1	255.3	249.9	166.0	246.8	93,074	91,618	20,545
1951	513	916	1,283	1,296	837	1,288	10.5	25.5	447.2	400.6	324.1	178.8	415.4	93,135	84,319	56,621
1952	748	1,336	2,096	2,117	1,488	2,289	6.6	16.1	550.2	468.0	418.2	241.2	607.2	119,527	115,225	89,062
1953	983	1,755	2,668	2,695	1,984	3,052	4.3	10.5	598.4	488.9	494.6	315.0	758.2	129,790	100,569	84,007
1954	1,228	2,193	3,278	3,311	1,711	4,171	4.1	10.0	612.6	490.7	502.9	329.8	844.4	97,755	110,217	87,840
1955	1,484	2,650	4,637	4,684	3,678	5,658	4.5	10.9	698.9	555.3	552.7	361.2	950.0	133,440	91,640	81,909
1956 Jan.	1,359	2,427	4,782	4,830	3,651	5,617	4.5	10.9	771.9	611.1	589.1	550.5	1,052.2	8,779	8,853	6,346
Feb.	1,375	2,455	4,764	4,812	3,611	5,556	3.9	9.5	770.5	608.9	596.0	499.4	1,115.5	14,192	8,025	6,080
Mar.	1,321	2,359	4,862	4,911	3,707	5,703	3.9	9.5	768.2	609.5	600.1	505.7	1,057.5	12,579	7,840	9,475
Apr.	1,317	2,352	4,948	4,998	3,779	5,814	3.9	9.5	781.3	616.0	597.0	323.2	1,071.5	10,167	11,577	10,559
May	1,282	2,289	4,917	4,967	3,809	5,860	3.9	9.5	781.3	612.6	607.4	281.0	1,033.8	11,259	12,123	8,951
June	1,415	2,527	4,930	3,980	3,909	6,014	3.9	9.5	776.8	511.7	591.5	265.7	1,006.3	12,812	12,740	11,655
July	1,353	2,416	5,091	5,142	4,110	6,323	3.9	9.5	768.7	604.5	585.5	281.6		6,751	7,467	9,641
Aug.	1,372	2,450	5,084	5,135	4,191	6,448	3.9	9.5	770.5	607.6	599.2			9,027	10,271	9,925

HONGKONG EXCHANGE MARKETS

January 7th to 12th 1957

U.S.$

Jan.	T.T. High	T.T. Low	Notes High	Notes Low
7	$619	618½	616⅝	614⅝
8	618¼	617¼	615½	614⅜
9	618¾	617¾	616⅞	615¼
10	623	621	621¼	618¾
11	619½	618	617¼	615⅝
12	617½	615⅝	614¾	613

D.D. rates: High 620 Low 614.

Trading totals: T.T. US$3,350,000; Notes cash US$490,000, forward US$2,470,000; D.D. US$730,000. The market was erratic with rates jumping up on news of the resignation of Sir Anthony Eden and declining on Mr. Macmillan's acceptance to form the new cabinet. Speculators were wrong in buying, for it was a factor for bears and not for bulls; furthermore, the change of the British Premier will eventually strengthen Sterling. In the T.T. sector, usual offers were from Japan, Korea and the Philippines, and buyers were general and gold importers. In the Notes market, speculators bought and sold without reasoning. During the previous weeks, shippers were paying a premium of about ¼ of a point to buy bigger denominations of US$50 and US$100 notes for shipment, but this has been reduced last week, for shippers were satisfied. An agent of Communist China operated on a large scale and US$ notes from this agent were shipped to US indirectly, which officials of the local US Consulate have not yet noticed. But they will. Interest favoured sellers and aggregated HK$1.79 per US$1,000. Speculative positions averaged US$3 million per day. In the D.D. sector, sales were active.

Turnover in the US$ market is heavy; spot US$4.6 million and futures 2½ million are large figures. Hongkong remains principal Far Eastern US$ free market. The importance of this market for HK's prosperity cannot be overstated. Quotations are however not much influenced by local demand/supply position but usually reflect New York free sterling rates. Current cross rates move around US$2.56—2.59 or 7½ to 8½% below London/US parity. That's not too bad. Peking government is benefited by local free exchange market and its continued operation is another guarantee for "peaceful coexistence" between HK and its ambitious, expansionist neighbour. One of the leading agents of the People's Republic remains the native bank of Po Sang which often dominates the market by its transactions. In US notes buying and, via non-Red tainted brokers, shipping them to US for depositing same in New York accounts, Po Sang has been conspicuous. The difference in notes and TT rates is utilised by speculators to make a little profit.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK$: Philippines 1.72—1.69, Japan 0.01495—0.01475, Malaya 1.882, Vietnam 0.06—0.05888, Thailand 0.2857—0.284. Sales: Pesos 340,000, Yen 134 million, Malayan $375,000, Piastre 16 million, and Baht 2½ million.

Business in yen is steady, shows expanding trend. The rate is slightly lower than the official quotation. No Eastern currency is as strong and as ably managed as the yen; no other country in Asia is so prosperous and so progressive as Japan. Japan's prospects are splendid. The yen, against US$ and other hard currencies, remains firm.

In Philippine pesos there has been a weak trend for a long time. The rate has now slipped to record low levels. At present the peso against US$ quotes 3.66 or 45% down from official parity; in Hongkong the free rate is about 27¼ USc or 40% down from parity. This low rate is the result of smuggling from Manila to Hongkong and elsewhere of pesos and of illicit outward transfers from the Philippines. The real strength of the peso, reinforced by US backing, is not reflected by the local and Manila black market rates. There is a rush in Manila to send funds out of the country—partly by Chinese in that country, partly by travel-mad Filipinos who also engage in routine import smuggling of luxury goods into their country thus attempting to foil Phil. Central Bank currency regulations. Lack of efficiency and honesty on part of Phil. officials is to be blamed for this mess; but the utterly unpatriotic attitude of so many Filipinos—and Filipinas—must be corrected in the first place if the attack on the peso is to be halted.

Agreed Merchant T.T. rates: Selling and buying per foreign currency unit in HK$: England 16.202—15.867, Australia 13.016—12.757, New Zealand 16.202—16.10, United States 5.818—5.735, Canada 6.0606—5.9701, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.8868—1.8692. Selling per foreign currency unit in HK$: South Africa 16.236, Switzerland 1.3278, Belgium 0.11655, West Germany 1.3889.

Chinese Exchange: People's Bank Yuan notes quoted $1.50 per Yuan. Taiwan Bank Dollar notes quoted $163 per thousand, and remittances at 158—154.

Bank Notes: Highest and lowest rates per foreign currency unit in HK$: England 16.17—15.90, New Zealand 14.90—14.75, East Africa 15.40, South Africa 16.15—16.10, India 1.1855—1.183, Pakistan 0.89, Malaya 1.845—

1.84, Canada 6.38—6.355, Philippines 1.83—1.805, France 0.0149—0.01485, Vietnam 0.06275—0.0625, Laos 0.059—0.0585, Cambodia 0.0815—0.08, Indonesia 0.1815—0.178, Thailand 0.279—0.276, Macau 0.996—0.995, Japan 0.0153—0.0152.

Gold Market

Jan.	High .945	Low .945	Macau .99
7	$271⅛	268⅞	279⅝ High
8	269⅛	268⅜	
9	269¾	269	
10	271½	269⅞	
11	269¾	268⅜	
12	268⅜	267⅜	Low 278⅜

The opening and closing prices were $269⅞ and 268⅛, and the highest and lowest 271½ and 267⅜. The market was uncertain with decreased speculative activity. Interest favoured sellers and aggregated $1.62 per 10 taels of .945 fine. Tradings averaged 8,900 taels per day and totalled 53,400 taels for the week, in which 18,400 taels were cash dealings (6,500 taels listed and 11,900 taels arranged). Imports came from Macau and amounted to 9,500 taels, and one shipment of 48,000 fine ounces arrived there in the week. Exports totalled 9,000 taels (5,500 to Singapore, 3,000 to Indonesia, and 500 to Korea). Differences paid for local and Macau .99 fine were $13.50—13.00 and 12.00 respectively per tael of .945 fine. Cross rates were US$37.71—37.70 per fine ounce, and 32,000 fine ounces were contracted at 37.70 C.I.F. Macau. US double eagle old and new coins quoted $280—279 and 237—236 respectively per coin and Mexican gold coins at 288—287 per coin.

Silver Market: 500 taels of Bar silver were traded at $5.90 per tael; 600 dollar coins at $3.77 per coin; and 500 twenty-cent coins at $2.90 per five coins.

HONGKONG SHARE MARKET

Tight money slowed down trading last week and profit-taking forced prices slightly lower. Buyers assumed a wait-and-see attitude during mid-week after resignation of Prime Minister Sir Anthony Eden. The appointment of Mr. Harold Macmillan as his successor was well received in the local market and at the close on Friday many shares registered recoveries while the daily trading volume improved to $1 million. Union Ins. and HK Banks followed the buoyant sentiment of London Market but HK Banks, on account of profit-taking, failed to retain the gain and closed $5 lower than the previous week. HK Wharves remained firm at 93; buyers offered 92 but there was no selling response. Buying interest centred on real estate and utilities. Closing rates for most shares were lower than previous week; drops however were only fractional.

There are indications that local investors are more interested in US shares because (1) US shares offer more scope for speculation; (2) unlike the one-way market in HK shares, buying and selling of US shares is easy; and (3) US shares are in supposedly invulnerable US dollars. In view of possible increase in American securities transactions, yet another broker opened an office in the Wing-On Bank Building to handle US and other foreign shares including those of Singapore, Canada and Japan.

Monday: Quiet conditions prevailed. Prices drifted fractionally lower. The turnover amounted to $485,000. **Tuesday:** The market was dull; a few counters sustained fractional losses. The turnover amounted to $430,000. **Wednesday:** Apart from two large parcels of Unions which changed hands at $960 followed by over 2,700 Electrics, little interest was displayed elsewhere. The turnover amounted to $600,000. **Thursday:** The market turned hesitant on the news of the resignation of the Prime Minister, Sir Anthony Eden; prices drifted fractionally lower. The turnover amounted to $700,000. **Friday:** The downward trend was checked by the appointment of Mr. Harold Macmillan as successor to Sir Anthony Eden as Prime Minister. Prices were fractionally better and the turnover amounted to $1,020,000.

DIVIDENDS

The Hongkong and Shanghai Banking Corporation announced that the profit for the year ended December 31, 1956, after providing for taxation etc. amounted to HK$20,635,421. It was proposed to write HK$4,000,000 off Bank Premises and to pay a final dividend of £3 per share leaving a balance to be carried forward of HK$11,039,578. The ordinary yearly general meeting of the shareholders will be held on March 15, 1957.

The Chinese Estates Ltd. announced a final dividend of $20 per share for the year 1956.

Shares	Jan. 4	Last Week's Rates			Ups & Downs	
		Highest	Lowest	Closing		
HK Bank	1665	1675	1660 b	1660		—$5
Union Ins	950	970 s	945 b	955 b	+$5	
Wheelock	7.25	7.20	7.05	7.10		—15¢
HK Wharf	93	92 b	92 b	92 b	firm	
HK Dock	48.50	48.25	47.75 b	48 b		—50¢
Provident	14	13.80 s	13.60	13.80 s		—20¢
Land	62.50	62	61	61.50		—$1
Realty	1.375	1.375	1.325 b	1.35		—2½¢
Hotel	15.20	15.10	14.90	15		—20¢
Tram	23.70	23.60	23.40	23.40		—30¢
Star Ferry	143 s	142 s	140 b	141		—$2
Yaumati	103	103	102	102		—$1
Light	23.70	23.70	23.20	23.40		—30¢
Electric	31.75	31.50	31	31.25		—50¢
Telephone (o)	24.70	24.70	24.40	24.60		—10¢
Telephone (n)	23.80 s	23.70	23.50	23.70		—10¢
Cement	39 s	38.75	38.25	38.50		—50¢
Dairy Farm	15.40	15.50	15.20	15.20		—20¢
Watson	13.60	13.80	13.40 b	13.40 b		—20¢
Yangtsze	5.80 b	6 n	5.80 b	6 n	steady	
Allied Invest.	4.90 s	4.85	4.70 b	4.80 s		—10¢
HK & FE Invest.	9.70 b	9.80	9.70	9.80 n	steady	
Amal Rubber	1.55	1.525	1.475	1.50		—5¢
Textile	4.30 b	4.50 s	4.35 b	4.40 n	steady	
Nanyang	7.10 s	7.10	7.05	7.15 b	steady	

HONGKONG AND FAR EASTERN TRADE REPORTS

Trading in the local commodity market last week showed no improvement from the restrictive business of the previous week. Korea's demand for paper was keen but there were more enquiries than orders from Seoul. Shipments of sundry provisions and foodstuffs to SE Asia remained active but purchases during the week were slower as the Lunar New Year came nearer. China shipped more staples and foodstuffs to the local market but bought almost nothing in return. Japan was still interested in beans and other staples but low buying offers and limited stocks curtailed the volume of business. Demand from Europe and UK for staples from China, Taiwan and SE Asia remained selective. Commodity prices however were mostly firm on increased replenishment cost.

Trade with China: In spite of the low quotations here for steel bars, China did not make any purchases because 1957 import licences were not yet issued. Meanwhile small quantities of Chinese steel bars were shipped via HK to Thailand and Singapore. Other China exports transhipped here included 1,000 tons of walnut meat to Canada, 200 tons of caustic soda and coal to Thailand, 700 tons of foodstuffs and old newspaper to Burma and large consignments of oilseeds to Japan. To the local market, China sent substantial quantities of foodstuffs, including vegetables, fruit, canned food, poultry and hogs. Consignments of beans were resumed but quantities were limited. Imports of fresh eggs, paper and cement were much curtailed in spite of the strong demand for these items here. According to Peking reports, over HK$300 million worth of contracts were signed during the Exhibition of Chinese Products in Canton which closed last week. Approximately 80% of these contracts were concluded with businessmen from Afro-Asian countries. Many local dealers managed to get some beans and oilseeds but quantities were small in each transaction. Buyers from SE Asia, UK and Europe were also shown lorries, cotton spinning machinery, locomotive and precision instruments which were not yet available for export. Two Indonesian businessmen wanted to buy white shirting, hardware, amplifiers, cement and iron rods but were informed by authorities in Canton that these products had been sold out for the whole of 1957. It appears that demand for Chinese staples and industrial products is very strong and it remains to be seen whether China could curtail domestic consumption further to feed exports and whether the quality of various products could be kept up to standard.

Trade with Japan: Imports from Japan were slower after recent heavy arrivals. New orders placed by local dealers covered mostly woollen piece goods, woollen yarn and sundries; no indents were booked for metals and paper. Shipments of iron ore, scrap iron, beans, rosin and other staples from here to Japan totalled 8,000 tons last week; iron ore alone constituted 3,000 tons.

Trade with UK & Europe: Imports from Europe and UK totalled 8,500 tons consisting chiefly of metals and textiles. Exports to these two destinations exceeded 8,000 tons; principal items were cotton textiles, garments, rubber shoes, torch, plastic products, enamelware, bamboo cane, rosin and other China produce. Factories here were rushing deliveries so that they could cash in on shipping documents before the Lunar New Year. Most importers here stopped the booking of new indents because money was tight and replenishment cost had further advanced.

Trade with Indonesia: With the calm down of disturbances in Sumatra, Djakarta importers purchased more enamelware, aluminiumware, cotton textiles, underwear, foodstuffs and sundries from here because commodity prices there had advanced on short stock; quantities involved however were small. Importers there also enquired for various HK manufactures and Japanese products to meet the demand during the forthcoming Puasa Festival in early April.

Trade with Thailand: Cargo movements between HK and Bangkok remained active; imports of rice and staples totalled 4,000 tons and exports of HK products and Chinese foodstuffs, wire nails, glass, paper etc. exceeded 7,000 tons. Meanwhile, there were more enquiries than orders from Bangkok; business before the Lunar New Year would be restricted to limited quantities of seasonal goods such as joss paper and stick, sundry provisions and other foodstuffs.

Trade with Korea: Seoul earmarked US$29.3 million for imports including fertilizers, fibre yarn and paper. Dealers here were not very optimistic about the volume of these purchases from the local market because prices here were higher than offers which Seoul could get from Japan. Orders reached here last week covered chiefly woodfree printing of European origin. Meanwhile Seoul was planning to conclude trade agreements with Taiwan, South Vietnam and the Philippines covering exports of Korean staples amounting to $2 m, $1.09 m and $4.38 m respectively.

Trade with Taiwan: Imports from Taiwan improved to 1,700 tons last week consisting chiefly of sugar, tea, fresh ginger, citronella oil and sundry provisions; consignments of sugar alone totalled 1,300 tons. Taiwan's purchases from here remained slow. In view of the success of Taiwan products in the recent Bangkok fair, Taipei is planning to hold similar exhibitions in Saigon, Manila, Singapore and other Asian cities during the next two months. With Italy, Taiwan is negotiating a trade agreement covering the exchange of Taiwan tea, camphor, citronella oil, chemicals and hat bodies for Italian rayon and rayon products, parts and accessories for motor vessels, electric appliances and paints.

Trade with Malaya and Singapore: Exports of seasonal goods such as joss sticks, vegetables, fruits and other foodstuffs to Singapore and Malaya exceeded 7,000 tons last week but new purchases were restricted to sugar, sundry provisions and a few items of China produce. Exports after this week will slow down and purchases from here before the Lunar New Year will remain selective in choice and restrictive in volume.

Trade with the Philippines: Manila earmarked US$243 million for imports during the first half this year. This amount is 15% less than that for the same period last year. $157 million of the above figure will be used for imports from US. HK-Philippines trade shows no sign of improvement this year; current shipments are covered by last year's barter licences.

Trade with Cambodia, Laos and Vietnam: Imports of staples and scrap iron from these states remained active and in return dealers here sent foodstuffs, paper and metals to Cambodia; cloth and construction materials to Laos; textiles, fruits and canned food to South Vietnam; and gunny bags, iron wire nails, cigarettes, rayon yarn and foodstuffs to North Vietnam. Cargo movements between HK and Cambodia were more active than other lines but imports of live hogs were curtailed last week because the journey had become very stormy and many pigs died on the way. More enquiries reached here from Cambodia after authorities there earmarked HK$38 m for imports including paper, chemicals, metals, electric appliances, machinery and equipment.

Trade with India and Pakistan: Principal imports from these two countries were cotton and cotton yarn; imports from Pakistan however were much heavier than those from India. Exports to these destinations were still limited to a selective number of items including cassia and paper.

Trade with Burma: Chinese metals, glass, paper, and textiles constituted the major portion of shipments from here to Rangoon. Importers there also ordered empty bottles and old newspaper and enquired for wheat flour.

Trade with Ceylon: Shipments to Colombo were still limited to small consignments of about 100 tons each because vessels which passed here for Colombo were mostly fully loaded with goods from China for Ceylon.

Trade with Africa: Exports to African markets were heavy last week because manufacturers here rushed deliveries on account of the approaching Lunar New Year. About 2,300 tons were consigned to East Africa; 1,000 tons to South Africa and 2,000 tons to West Africa. Principal items were enamelware, kerosene lanterns, shoes, torch, cotton and rayon textiles. Imports came mostly from South Africa and consisted chiefly of fruits, jam, oat meal and canned beef.

Trade with North Borneo: Demand from North Borneo for building materials, cotton cloth, garments, vacuum flask, aluminiumware and other HK manufactures remained strong but purchases last week were slower probably on account of the approaching Lunar New Year.

Trade with the Middle East: Banks here resumed to finance exports to Aden and other Middle Eastern ports.

China Produce: China resumed the shipment of beans to the local market but the volume of these consignments remained small and prices marked up. In addition to white pea, green pea and red bean, Japan was also keen in aniseed star, cassia lignea, sesame, maize, turpentine, cassia oil, castor oil, rosin, raw silk, jute, coir fibre and realgar; transactions however were restricted either by short stocks or by low buying offers. Demand from Europe also improved and covered cassia, citronella oil, rosin, menthol crystal, egg products, hog casing, feather, and bamboo cane; prices all registered improvements. Groundnut kernel recovered when local demand improved and selling pressure eased. Groundnut oil was firm on steady demand from Singapore and local consumers; Chinese indents advanced after the recent sale of 3,000 tons to Europe by Canton. Rosin was also favoured by Singapore, Thailand, Indonesia and local paint factories. The market registered also demand from Canada for woodoil; from Taiwan for castor oil and teaseed cake; and from Singapore and Thailand for dried chilli.

Metals: With the exception of round bars which eased under selling pressure, prices of other items were firm on account of (1) increased indents, (2) remote delivery dates, (3) advanced freight rates (from 219s to 234s per ton for shipments from Europe to HK). Dealers here curtailed new booking because China and Japan slowed down purchases in the local market. The undertone of the market was very firm because steel prices would remain high even after the clearance of the Suez Canal on account of (1) the increased production cost, (2) the dwindling supply of scrap iron, (3) the strong demand from world shipping industry, and (4) the high freight rates. Items which attracted small orders from SE Asia included iron wire nails, aluminum sheets and round bars. Local demand for factory items such as blackplate, tinplate and waste waste remained strong. Japan was interested in scrap iron but transactions were handicapped by low buying offers.

Paper: Seoul earmarked US$1 million for imports of woodfree printing. In the local market demand from Korea covered not only woodfree but also newsprint, sulphite, cellophane, glassine and aluminum foil. Transactions however were restricted by short stock. Several shipments from Europe were held up in the Suez causing further shortage of many popular items including transparent cellophane. Imports from China were curtailed while offers from Japan were for remote deliveries only. As a result, prices here were very firm discouraging orders from Thailand, Indonesia and Cambodia for newsprint, kraft, m.g. cap, tissue, manifold and aluminum foil. Local demand was also very steady and covered almost all the above items.

Industrial Chemicals: Thailand and Cambodia were interested in chrome alum, caustic soda, sulphuric acid and ammonium chloride; transactions however were handicapped by low buying offers. Prices were governed by supply and demand factors: shellac declined under heavy supply and marked-down indent; sodium perborate and formalin were forced down by lower offers from Europe; copper sulphate eased under expected arrival; boric acid, sodium bicarbonate and sulphuric acid improved on short stock; while sodium hydrosulphite was stimulated by increased indents. Trading on the whole was slow.

Pharmaceuticals: The market registered better demand from local pharmaceutical manufacturers for fine chemicals including sulfonamides, quinine, PAS, aspirin, phenacetin and vitamin powders. Wholesale business in cod liver oil capsules, extract ergot liquid, dihydrostreptomycin and penicillin preparations was active but limited to small quantities. Prices for most items were steady but isoniazide tablets and saccharine crystal eased under recent heavy imports while phenacetin advanced on dwindled stock.

Cotton Yarn and Cloth: HK cotton yarn retained strong demand from local weavers and orders from Thailand, and other SE Asia countries for spot goods but forward deliveries were slightly lower under keen competition from Pakistan yarn which further declined under heavy imports. HK cotton piece goods were marked up on advanced production cost and steady demand from UK, Thailand and Indonesia. Japan grey sheeting retained good local demand and white shirting firm on enquiries from Laos. Chinese grey declined under heavy arrival but drill was firm on demand from local garment factories.

Rice: Local demand remained normal; prices firm in spite of heavy arrival from Thailand. Under the present quota imports, prices here could only be affected by fluctuations in indent prices.

Wheat Flour: In addition to increased replenishment costs, prices for imported and local brands were further stimulated last week by orders from Korea and enquiries from Burma. Local demand was normal.

Sugar: Taiwan shipped here more granulated fine sugar after indents were marked up. Prices here were kept steady by strong demand from Singapore and enquiries from the Middle East. Taikoo products were also firm on steady local and export demand. Philippine brown first eased under heavy arrival but later recovered when Taiwan brown improved on advanced indents.

Cement: China shipped here a few small consignments of cement at $115 per metric ton cif HK. Imports from Japan were also slower; price remained at $117 per ton cif HK and delivery dates for new indents were already in March. HK Green Island products were very firm on steady local demand.

Sundry Provisions: Exports to Singapore and Thailand remained very active last week. With the exceptions of red date and violet seaweed which eased under heavy supply, other popular items including melon seeds, mushroom, vermicelli, lily flower dried, bamboo shoot, bean stick, ginkgo and walnut meat improved on steady exports and better local demand.

Gunny Bags: Short stock stimulated spot goods of used bags to $1.37 pc for 2½ lb, 3 blue stripes and new bags of 43" x 29", 2½ lb, 2" green stripe to $1.96 pc. Demand from Haiphong for new bags was retained.

Fresh Hen Eggs: Supply from China failed to improve and retail price here remained at $1 for 3. Supply would improve next month but in the meantime, price would not come down especially before the Lunar New Year. Dealers here were negotiating imports from Japan to relieve the shortage.